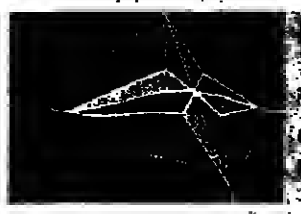

Peacemakers in disarray

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UK press war
Murdoch v Black: the fight goes on
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US debates embryo research
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Weekend FT
King and Queen of skiing

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY JANUARY 6 1995 | D8523A

Blow to Sweden as sovereign debt is downgraded

US rating agency Moody's downgraded Swedan's sovereign debt rating, dealing a blow to the Social Democratic government's efforts to rebuild confidence in the economy just days before its first budget. Citing "enormous growth" in the budget deficit and the burden of a public sector debt that has "ballooned" to 90 per cent of gross domestic product, Moody's lowered Sweden's long-term foreign currency debt rating to AA3 from AA2. Page 16

Lehman Brothers of the US ushered in a weak results season for investment and commercial banks active in the financial markets, reporting post tax-profits of just $46m in its fourth quarter. Page 17

Taiwan approves China shipping link: Taiwan is to ease a four-decade ban on direct transport links with China, with a plan to designate the southern port of Kaohsiung as an "offshore" transshipment centre. Page 16

French tobacco sale confirmed: The French government moved towards the privatisation of its state tobacco monopoly, Seita, maker of Gauloises and Gitanes, when it published a decree to launch the sale process. Page 17

Star TV, Rupert Murdoch's satellite broadcaster in Asia, has formed a joint venture with four leading entertainment groups to develop Channel [V], its music channel. Page 17; Lex, Page 16

Ford, US carmaker, has applied to the UK government for up to £100m ($156m) in state aid to support the production of a new range of Jaguar cars in Britain. Page 16

Indonesian budget fights inflation

President Suharto (left) unveiled a "tight and conservative" fiscal 1996 budget aimed at cooling Indonesia's economic growth and bringing down inflation, at present more than 9 per cent. Spending in the fiscal year beginning on April 1 is projected to rise by 11.9 per cent to 78 trillion rupiah ($36bn). Saleh Afiff, co-ordinating economic minister, said Indonesia's inflation rate should fall to about 6 per cent during the 1995 calendar year. Page 3

Jordan leader to return: Sharif Zaid Bin Shaker is to become Jordan's prime minister after the resignation of the government of Abdul Salam al-Majali, prime minister since May 1993. Bin Shaker, a friend of King Hussein, led the army for 12 years and was twice previously prime minister.

Russia liberalises oil market: Prime minister Victor Chernomyrdin signed a resolution liberalising the country's oil export regime, lifting export quotas and refraining from imposing domestic quotas. Page 2

Questions over UK jail security: An influential group of MPs said it would cross-examine Britain's home secretary, Michael Howard, and Derek Lewis, director-general of the prison service, over recent disturbances in UK jails. Page 5

Malawi's ex-ruler may face charges: Malawi's government is to charge ex-president Kamuzu Banda and his closest associate, John Tembo, with the murder of four politicians in 1983, government ministers said. Page 3

Sutherland backs China for WTO: World Trade Organisation director general Peter Sutherland said China should be included in the new trade body, but only after it complies with basic regulations of discipline and transparency. Page 4

UK declares genetic foods 'safe': The UK government has given safety clearance to Britain's first three genetically engineered foods: tomato paste, rapeseed oil and soya bean extracts. Page 5

Fears ease on US oil shortages: Nearly 1,200 tankers have obtained clearance from the US Coastguard to sail into American waters, easing fears that imposition of new financial liability rules would lead to oil shortages this winter. Page 4

Two ships sink in storm: Up to 54 seamen were missing, feared drowned, after two bulk carriers sank in a storm at the mouth of Romania's Constanta harbour. The Maltese-flagged Paris and the Hong Kong-flagged You Xin lost power in heavy seas and a blizzard, and hit the port's breakwater.

Industrial designer dies: Brooks Stevens, the US designer who put the window in home clothes dryers and did models for Volkswagen and Alfa Romeo, has died, aged 83.

■ STOCK MARKET INDICES		
FT-SE 100:	3,032.3	(-19.3)
Yield	4.25	
FT-SE Eurotrack 100	1,328.95	(-9.0)
FT-SE-A All-Share	1,507.07	(-0.5%)
Nikkei	19,816.11	(-67.93)
New York lunchtime:		
Dow Jones Ind Ave	3,860.92	(-6.73)
S&P Composite	460.27	(-0.44)
■ US LUNCHTIME RATES		
Federal Funds:	5¼%	
3-mo Treas Bills: Yld	5.674%	
Long Bond	96⅝	
Yield	7.889%	
■ LONDON MONEY		
3-mo Interbank	6⅜%	(6⅝%)
Liffe long gilt future:	Mar 100½	(Mar 100¾)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$16.45	(16.25)
■ GOLD		
New York Comex (Feb)	$376.6	(375.3)
London	$374.5	(376.1)

■ STERLING		
New York lunchtime:		
$	1.5665	
London:		
$	1.5634	(1.5625)
DM	2.4266	(2.4357)
FFr	8.373	(8.3985)
SFr	2.041	(2.0529)
Y	157.986	(158.29)
£ Index	79.9	(80.0)
■ DOLLAR		
New York lunchtime:		
DM	1.55075	
FFr	5.345	
SFr	1.302	
Y	100.925	
London:		
DM	1.5536	(1.559)
FFr	5.3558	(5.3756)
SFr	1.3055	(1.314)
Y	101.065	(101.315)
$ Index	63.3	(63.5)
Tokyo close Y 100.93		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	CC1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Republicans introduce Clinton to their 'new era'

By Jurek Martin in Washington

An ebullient Republican congressional leadership told US president Bill Clinton face-to-face yesterday exactly what it intended to do with its new found power and secured at least guarded promises of co-operation in return.

Congressman Newt Gingrich, in his second day as Speaker of the House and still savouring 52 victorious floor votes on rule changes on Day One, emerged from a White House meeting to proclaim: "This is a different era with different ground rules."

Mr Gingrich said the session with Mr Clinton had been marked by "a real willingness to try and find a way to work together". He brushed aside questions from reporters about policy differences.

"It would be nice," he said sarcastically, "for the national press corps to report accurately that it was a positive meeting rather than going off to find some way of getting a cat fight started."

Mr Clinton, sitting between Mr Gingrich and Senator Robert Dole, and thus becoming the first Democratic president since Harry Truman to find himself flanked in the Cabinet Room by two Republican leaders of Congress, said before the session began that he was "encouraged by what I've heard and seen". If he drew any lines in the sand, he did so gently. "There's a national consensus," he said, "that we shouldn't do anything that would increase the deficit, hurt the middle class, hurt the poor who are trying to work their way into the middle class or would undermine the economic recovery."

But he also joked with Mr Gingrich about the latest flap concerning the Speaker's low opinion (according to his mother) of Mrs Hillary Clinton. They agreed they would only whisper to each other in the manner in which Mrs Kathleen Gingrich was induced by a TV interviewer to spill her beans.

Only the Democratic minority on Capitol Hill – the third party round the table yesterday – emerged plainly dissatisfied. Congressman David Bonior, the chief whip, said the Republicans were still the party of the rich, as witnessed by the fact that "one of the first things out of his [the Speaker's] mouth" in the White House had been to demand a capital gains tax cut, long a Republican priority.

Mr Bonior added that use of the president's veto to block Republican legislation had been discussed.

Mr Gingrich reported that the president had promised not to campaign "aggressively" against passage of the balanced budget amendment, a top Republican priority, about which the administration has many reservations. Congressman Dick Armey, the majority leader promised Congress would tackle federal spending reductions before considering o middle-class tax cut. Mr Clinton, he suggested, had not fully understood the Republican commitment in this respect.

Obvious areas of agreement include granting the president the line item veto – the right to excise a specific programme without sacrificing a whole bill – and an attack on "unfunded mandates", where the federal government orders the states to adopt rules and regulations without helping pay for them.

Deputy PM says Russian military bungled to embarrass government

Army 'sabotaging Chechen war'

By Chrystia Freeland in Moscow and Judy Dempsey in Berlin

The Russian army was accused yesterday of sabotaging Moscow's efforts to bring the breakaway Chechen republic to heel.

Bitter recrimination among the Russian leadership broke out as international pressure on President Boris Yeltsin over Chechnya mounted and Germany's chancellor Helmut Kohl expressed anxiety over the bloodshed.

"I am deeply concerned by the extent of force used," said Mr Kohl, making his first public comment on the assault on Chechnya ordered by Mr Yeltsin, whose reform policies he has generally supported.

Mr Kohl, whose country is the biggest aid donor to Russia, said he had insisted in a lengthy telephone conversation with Mr Yeltsin on Wednesday on a peaceful settlement of the conflict. The German leader also conferred yesterday with Mr Edouard Balladur, the French prime minister, on how western Europe should react to Moscow's behaviour.

The Commission of the European Union said it was freezing an interim trade accord with Russia in protest over the fighting. The agreement, which seeks equal tax treatment for EU imports and exports for a transitional period, will not be sent to Moscow as planned for formal signature.

The allegations over Russian army incompetence were made by Mr Sergei Shakhrai, a deputy prime minister. He accused the army of intentionally mishandling the Chechen operation in an effort to undermine the government.

Mr Yeltsin's promise to stop bombing the Chechen capital of Grozny was apparently broken yesterday as Interfax news agency reported new air raids on the stronghold.

Mr Shakhrai's accusations of military sabotage came as the political, diplomatic and financial costs of the three-week-old Russian operation in Chechnya are growing.

The Russian military, despite its initial promise to subdue the tiny North Caucasus republic in a matter of hours, has not yet taken control of Grozny.

Mr Volker Rühe, the German defence minister, said Russia "faced the danger of losing credibility in its will to reform and be a good partner". Mr Hans van den Broek, the EU commissioner, said that by suspending the trade deal, "we have sounded an unmistakable note of concern".

At home, Moscow's financial markets sent a negative signal, pushing the rouble down to a three-month low against the dollar. Political pressures on the government took a more serious turn as well. Parliamentarians gathered the required 92 signatures to convene an extraordinary meeting of the Duma tomorrow to discuss the Chechen crisis.

Moscow reformers score oil victory .... Page 2
Each state for itself ... Page 15
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Mr Shakhrai's accusations of intentional military bungling mark a new twist in the government's response to the mounting attacks on its intervention in Chechnya. Although liberal and communist opponents of the Russian leadership have previously criticised the military, Mr Shakhrai is the first member of Russia's ruling circle to challenge publicly the army's conduct.

In an interview with the Itar-Tass news agency, Mr Shakhrai suggested that the army could be planning a military coup. He said that the army may be seeking to become "an independent force which will begin to dictate terms to the president and the cabinet of ministers".

Chancellor Helmut Kohl of Germany (left) and France's prime minister, Edouard Balladur, chat during a private meeting at the latter's Alpine home in the shadow of Mont Blanc. Mr Kohl was yesterday strongly critical of Russia's policy in Chechnya. Report, Page 2 Picture: Reuter

Mexican sell-offs to help solve debt crisis

By Stephen Fidler in Mexico City and Lisa Bransten in New York

Plans to expand Mexico's privatisation programme were announced yesterday by Mr Guillermo Ortiz, the finance minister, in the latest response to the financial crisis caused by the peso's sharp devaluation.

Before a crowded meeting of investors and bankers in New York, Mr Ortiz announced for the first time the government's intention to sell significant parts of CFE, the state electricity monopoly, which could raise up to $6bn.

Many investors had been disappointed that this was not part of the initial announcement of the government's emergency plan on Tuesday, which followed long negotiations between government, business leaders and trade unions.

Mr Ortiz also said the government intended to secure a standby loan from the International Monetary Fund. Previously, government officials had sought IMF monitoring of the programme but had not intended to borrow more from the fund.

"The main benefit will be to certify to the international community that our programme is strong enough," he said.

Mr Ortiz received a more sympathetic hearing than his predecessor, Mr Jaime Serra Puche, who two weeks earlier failed to

Continued on Page 16
Power of privatisation, Page 4

SCA of Sweden buys 60% stake in German paper group

By Christopher Brown-Humes in Stockholm

Sweden's SCA said yesterday it would become Europe's biggest forest industries group after it agreed to pay DM1.2bn ($760m) for a 60 per cent stake in PWA, Germany's largest quoted pulp and paper company.

The acquisition increases SCA's annual turnover to SKr56bn ($7.5bn), including a SKr21bn contribution from PWA, and gives it a combined production capacity of 7m tonnes. It now moves above its Swedish rival, Stora, and becomes the world's fifth largest forestry group.

The shares are being bought from Viag, the German energy concern, and other groups, at a 20 per cent premium to the market price. SCA has decided against making an offer for the outstanding shares, saying it is keen to maintain the company's German profile and access to capital.

The purchase consolidates SCA's operations in two product areas – packaging and tissues – and expands its activities into two new sectors – graphic and special decorative papers.

The company will become Europe's largest corrugated packaging company and the second biggest maker of tissues, with product range and geographical coverage increasing. In particular, the deal will strengthen SCA's presence in Germany where it had been weak. Analysts say the Swedish company, traditionally cushioned from downturns in the forestry sector by the strength of its Mölnlycke hygiene operation, will become more exposed to industry cycles after the purchase.

Lex .... Page 16
SCA's deal reinforces its paper empire .... Page 17

Suggestions that it might sell PWA's fine papers and speciality activities were dismissed by SCA. It noted that PWA's coated fine paper production complemented its existing lightweight coated and uncoated magazine paper businesses and said the speciality papers were very profitable.

PWA made a DM240m loss on turnover of DM3.86bn in 1993 after being hit by heavy restructuring costs and the strong D-Mark. However, its performance improved strongly last year after cost-cutting and a sharp recovery in pulp and paper prices and demand. SCA is forecasting PWA profits this year of about DM250m.

The purchase is being debt-financed, increasing SCA's debt-equity ratio from 50 to 80 per cent. Standard & Poor's, the US ratings agency, said it had placed SCA's long-term debt under review partly because of the increased leverage.

SCA, which has recently announced an extensive restructuring of Mölnlycke to combat fierce competition in the European disposable nappies market, has predicted profits of up to SKr2.3bn for 1994.

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Moscow's reformers score oil victory

By John Thornhill in Moscow

In a sharp policy reversal, Mr Victor Chernomyrdin, Russia's prime minister, has signed a resolution liberalising the country's oil export regime, lifting export quotas and refraining from imposing domestic qnotas.

The move, seen as a touchstone of reform in Russia, will bave tbe effect of raising domestic oil prices and has been bitterly contested within the government.

If successfully adopted, the liberalisation would represent a considerable victory for Mr Anatoly Chubais, the reformist first depoty prime minister, who has championed the policy but whose political authority has been seemingly undermined by consarvative policy-makers in recent weeks.

"This is the first bit of positive economic policy we have heard in a long long time," said one liberal economist yesterday.

Tbe chief effect of the liberalisation would be sharply to increase Russia's domestic oil price, narrowing the gap with the world's price, which is about threa-times higber. Reformers argue this will help to remove a distortion in the Russian economy and encourage greater investment – although it will temporarily fuel inflation.

The move would also eliminate the bureaucracy responsible for allocating export quotas, which has become deeply criminalised. Pipeline capacity restraints and export taxes would still restrain the volume of exports.

International financial institutions consider the liberalisation to be one of the most critical issues facing Russian economic reform.

The heads of both the World Bank and the International Monetary Fund had written to Mr Chernomyrdin urging him to overturn a previous proposal the government devised replacing export quotas with domestic quotas.

Mr Cbarles Elitzer, cbief economist of the World Bank in Moscow, said that "if it comes about, the elimination of export quotas and the non-imposition of domestic quotas will be a very positive step forward".

The liberalisation would remove the biggest stumbling blocks preventing the World Bank from granting a $600m budget support loan to the Russian governmant and would ease negotiations with the IMF over a sizeable financial stabilisation package – although many other issues remain to be resolved. Mr Chernomyrdin signed the resolution establisbing the new framework for oil exports on December 31, the day the old oil export regime expired.

But the resolution still has to be circulated and approved by the relevant ministries before lt is fully implemented. It is bound to face stiff opposition from the Russian oil lobby, which will object to the export tax being set as high as Ecu23 (£18.10) a tonne.

Industry observers have also criticised the loose drafting of the resolution, which does not spell out all the details of how tbe new export regime will work including tbe critical issue of bow access to pipeline capacity will be determined.

Foreign oil producing joint ventures would like access to be based on "grandfatber rights" allowing them to continue to export all their production. Any reduction in their export allowance would almost certainly tip them into bankruptcy. But alternative solutions bave been discused including auctioning access to the pipeline or allocating it as a proportion of total production.

Wanted: capitalists to share Russia's riches

Chrystia Freeland and **Robert Corzine** on the Lukoil chief doing the rounds of world investment capitals

EUROPEAN INTERVIEW

In tbe bostile steppes of western Siberia Mr Vagit Alekperov, the president of Lukoil, Russia's largest oil company, is already lord and master. His name is spokeo in worshipful tones by inhabitants of tbe remote cities where Lukoil is the sole employer and his meteoric rise as the youngest director in the Russian oil industry ls the stuff of local legend.

Sitting at ease in a botel room overlooking Hyde Park in Loodon recently, Mr Alekperov prepared to conquer another world. Lukoil, which controls a sixth of Russia's oil reserves, needs money to buy new equipment and to develop new fields, and Mr Alekperov is turning to the capital markets of Wall Street and the City of London to find it.

For westerners accustomed to insecure Moscow politicians unused to tbeir country's newly diminished role in geopolitics, Mr Alekperov embodies an unfamiliar breed of Russian. These new Russian capitalists come to the west not as supplicants but as competitors; they are not begging for aid but peddling shares, and they are supremely self-confident.

When one of his vice-presidents suggests that the 15 per cent stake Lukoil bopes to offer western investors by the end of next year might sell for $3bn, Mr Alekperov curtly asks his deputy: "Just wbo is being interviewed right now?" and gives a different figure.

"It will sell for $7bn," he says, then adds: "If we were looking for just $3bn in capital there would be no point in coming out here. We could raise that amount of money back home in Russia."

Many western analysts think Mr Alekperov's number is too optimistic, pointing to Lukoil's as yet incomplete control over its subsidiaries and its rickety equipment and infrastructure.

Lukoil, does, however, have many attributes that make it perhaps the most marketable of Russian companies on offer to western investors. Western oil companies with which it has worked generally give it high marks for professional skills. Its western financial advisers say the company is aware of the need to present its accounts in formats familiar to international investors. It also appreciates the importance of share custody and has asked the Bank of New York to be its custodian. Most other Russian companies control tbeir own registers, raising fears among western investors tbat tbeir boldings could be tampered with by bostile managers.

Russia's largest oil company is going to market to help expand its operations

Mr Alekperov is also emphatic that it is money, not management, whicb Lukoil is seeking from the west. "We are looking for institutional investors," he says.

Some Lukoil shares are already beld by foreigners, including a 3.5 per cent stake by Credit Suisse First Boston. However, substantial work has yet to be done on valuing the company's assets and presenting the information in an internationally recognised format before it can expand its foreign ownership hase.

KPMG, tbe international accounting firm, and McKinsey, the consulting gronp, are working with the company, as are several western banks seeking to take part in the tender offer. The company has not, however, chosen an international market on which to list its shares.

"Western oil companies might want to take us over, but we are too big, and otherwise there's no point. After all, we aren't buying shares in Chevron or BP..."

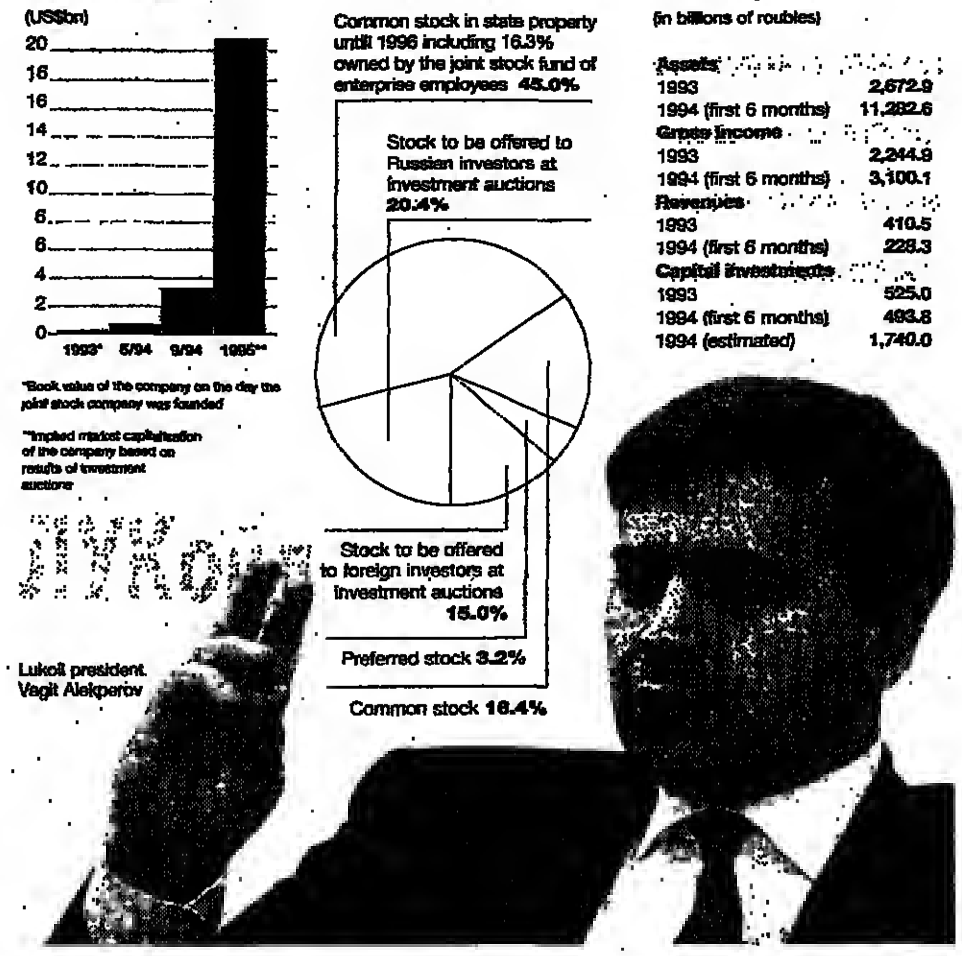
Yet while Mr Alekperov is keen to present Lukoil as the Russian sibling of the seven sisters, back home Lukoil labours under a very specific set of constraints.

"We, the oil and gas companies, are Russia's locomotive," Mr Alekperov says, "we are the only economic force which can pull Russia out of its dapression."

This role has its advantages: Lukoil, which is often seen by western companies as the unofficial representative of the Russian state in multinational deals, benefits from its privileged relationship with tbe Russian government. For this reason it is, at least for the time being, beyond the reach of those in government who bave begun talking about reversing the privatisation programme.

But being a locomotive, particularly wben the train's passengers are inefficient Russian manufacturers and farmers, can also he hard work. For example, during last year's harvest, says Mr Alekperov, tbe government pressured Lukoil and other producers to supply fuel on credit to the loss-making agricultural sector. Official insistence that energy producers continue to supply struggling agriculture and industry, even wben they cannot pay, has forced the energy sector to become the de facto creditor for the rest of the Russian economy.

Lukoil



*Book value of the company on the day the joint stock company was founded

**Implied market capitalisation of the company based on results of investment auctions

Financial profile (in billions of roubles)

Assets	
1993	2,672.9
1994 (first 6 months)	11,282.6
Gross income	
1993	2,244.9
1994 (first 6 months)	3,100.1
Revenues	
1993	410.5
1994 (first 6 months)	228.3
Capital investments	
1993	525.0
1994 (first 6 months)	493.8
1994 (estimated)	1,740.0

Lukoil president Vagit Alekperov

Mr Alekperov believes that, in the short term, energy producers have no choice but to continue footing the country's bills. "Even if cities cannot pay, we must ensure that our people have heating and lighting and that cars can run on the streets," he says.

If patriotism is insufficient solace, Lukoil accountants distressed by their company's load of bad debt can take comfort from the fact tbat tbey have been some of the biggest winners in Russia's state property sell-off.

Russia's thus-far ambitious privatisation programma, which has transferred 80 per cent of state property to private owners, has mada little material difference to tbe lives of the workers and managers who obtained shares in their own, nearly bankrupt factories.

Managers in the energy sector have been the big exception. Mr Alekperov says that a 5 per cent stake in Lukoil was distributed free among the company's managers, a bolding which, if Mr Alekperov's optimistic estimate of Lukoil's value is correct, could be worth as much as $2.4bn.

Mr Alekperov would not disclose the size of his personal stake in Lukoil – rumoured to be as large as 10 per cent – bnt he is unapologetic about the overnight transformation of Russia's oil barons into men extravagantly wealthy even by western standards.

"Privatisation was absolutely fair in Russia," Mr Alekperov says, "every Russian got a piece of paper, a privatisation voucber, which gave him a share in Russia's property. Some people spent their vouchers on vodka, others oo principle refused to use them and hung them on their walls. But some people invested their voucbers and saved money to buy more. If tbey hougbt Lukoil shares, they are now rich."

Indeed, Mr Alekperov bas only one regret about the process wbicb transformed a group of Russian state oil companies into the mammoth, integrated concern be now runs – be started too late. "If only we had begun in 1978, before things went to pieces in Russia," be said. "If we had, by now we would be the biggest oil company in the world."

Elite troops 'refusing to fight in Chechnya'

By Bruce Clark, Diplomatic Correspondent

Moscow's military bungling in Chechnya reflects the failure of General Pavel Grachev, the hard-pressed defence minister, to persuade enough high-quality troops to join the operation, according to western analysts.

Experts on the Russian military believe the rag-tag nature of the forces deployed against the rebel enclave suggests an operation planned in haste and in tbe teetb of coosiderable resistance from some parts of the army.

Gen Grachev – who said initially the operatton could be over in a couple of days – appears to have miscalculated tbe firepower and fighting spirit of the Chechens.

"The whole thing smacks of gross over-confidence," said Mr Gharles Dick, of tbe Britisb army's Gonflict Studies Research Centre.

Western analysts of the Russian military draw a sharp distinction between the elite paratrooper and special forces units, which have been kept at full strength througbout the country's recent upheavals, and the bulk of the land army where morale, staffing and performance remain low.

The soldiers deployed against Chechnya are believed to include very few paratroopers – perhaps no more than 2,000 in a force estimated at 40,000, including logistics and transport personnel.

Mr Mark Galeotti, an expert on the Russian army at Keele University, estimates that at least 20,000 of the soldiers in Cbechnya are interior ministry troops – earmarked for domestic operations – but at most half of these are trained op for regular combat duties.

The armour and air power deployed in Cbecbnya appeared to be a mixture of poor materiel cobbled together from the regional garrison, plus some "parade-ground" tanks and aircraft from Moscow which – although supposedly of high quality – were more suited to ceremonial than combat duties.

This would explain the contrasting images from Grozny of old-fashioned T-72 tanks – whicb the Chechens have found easy to destroy – and smart-looking T-90 tanks, deployed without infantry to back them up and apparently to little effect.

Gen Grachev is bimself a paratrooper, one of the reistively young officers wbo fought hard in Afghanistan and became resantful of the incompetent conduct of tbat war.

However, the defence minister now appears to have become badly isolated from his brother officers in the army's crack airborne divisions – including his erstwhile close comrade, the charismatic General Alexander Lebed.

Mr Galeotti believes that the commanders of the airborne divisions refused categorically to put their full weight behind the Chechen operation. As a poor substitute, the commanders of two elite divisions, from Pskov and Vitebsk, agreed to assemble small forces of volunteers for Chechnya, who may have been attracted by the prospect of combat pay.

Another elite section of the Russian army – the special forces of GRU military intelligence – have been absent from the Chechen operation.

Mr Galeotti believes the GRU – a long-standing rival of the KGB whicb bas now been renamed as the Federal Counter-Intelligence Service or FSK – has been a consistent opponent of military intervention in Cbechnya. "There are some indications that GRU special forces were pointedly withdrawn from the northern Caucasus last autumn," he said.

Russian liberal politicians have alleged that the assault on Chechnya was launched in great baste as a cover-up for the bungling of an FSK-inspired operation to stage-manage a coup in the enclave.

Although the Chechens have been depicted in the Russian media as primitive and ruthless gangsters, their leader General Dzhokhar Dudayev once occupied a formidahle place in tbe Soviet military establishment as the commander of long-range nuclear bombers based in Estonia. That would give him very sophisticated inside knowledge – and possibly some remaining friends – inside the Russian military.

Although he is careful to distance himself from Gen Dudayev's most recent activities, the head of the Russian air force, Air Marshal Pyotr Deinikin, still speaks of the Chechen leader with a certain fondness.

Some western analysts believe former air force comrades of Gen Dudayev have refused to let their aircraft be used in the Chechnya.

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THE FINANCIAL TIMES
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Inflation fears as Rome marks time

The Italian economy is at the mercy of a political lottery, reports **Andrew Hill**

The winner of Italy's traditional Twelfth Night lottery will walk away with L7bn ($4.3m) when the draw is made tonight. The top prize is L2bn higher than last year and its winner is unlikely to be worried by the fact that his or her dream holiday abroad will cost more, and the billions huy less today, than they did 12 months ago.

But for millions of Italians with dud lottery tickets, this week's disappointing inflation figures and the persistent weakness of tbe Itallan currency are beginning to add to a general sense of unease, as the country begins its third week under the control of a caretaker government.

On Tuesday, tbe Italian statistics office brought new year festivities to an abrupt end with confirmation that December's inflation figures were unexpectedly worse than the figure for November. Based on data from Italy's 20 largest cities, consumer prices were 4.1 per cent higher than in December 1993.

The government, which has been forecasting inflation of 3.5 per cent for 1994 and 2.5 per cent for 1995, put a brave face on the news, pointing out that the general economy was still performing well.

Mr Silvio Berlusconi, who is now the caretaker prime minister, said on Tuesday that gross domestic product was growing faster than forecast and aides have suggested the December figures were a sign that tbe country's recovary was feeding througb to internal consumption.

Ms Carmen Nuzzo, an analyst with Salomon Brothers, says it would be wrong to express too mucb alarm about the inflation figures but adds that tbere is still cause for concern.

In particular, the consumer price index has to be read alongside worrying figures for producer prices, which rose 4.3 per cent in October compared with October 1993.

The statistics seem to confirm the Italian business community's fear of a backlash from the undervalued lira. Altbongb devaluatlon in September 1992 has encouraged a surge in exports, the political uncertainty of the last six months is beginning to increase the cost of importing raw materials.

The impact of inflation on wage costs should be delayed because the main wage rounds have already been completed on the basis of more optimistic government forecasts.

But a clear solution to the problem is also worryingly distant.

Mr Berlusconi, who resigned as prime minister just before Christmas, this week wrote to tba ministers and undersecretaries of his right-wing coalition to remind them tbat a caretaker government cannot do more than tread water in most areas of activity.

The next firm legislativa or economic proposals will have to come from a new administration.

New elections – the option supported by Mr Berlusconi and his allies – could not be held before March.

Financial markets seemed to be calmed this week by the possibility of a stable interim government headed perhaps by a moderate figure from tbe outgoing coalition. But instead of discussing the formation of such a government with the main political parties President Oscar Luigi Scalfaro will spend this boliday weekend in hed with a fever and will renew negotiations on Monday at the earliest.

EUROPEAN NEWS DIGEST

Portuguese PM's guessing game

Portugal is waiting in suspense for prime minister Aníbal Cavaco Silva to end months of speculation over his political future. His Social Democratic party (PSD) yesterday rejected opposition calls for an emergency debate in parliament over an issue opponents say is destabilising financial markets and threatening to delay economic recovery. Mr Çavaco Silva is being pressed to clarify whether he will stand for re-election as prime minister in a general election due in October 1995, run as a candidate in a presidential election in early 1996 or withdraw from politics altogether. Mr Cavaco Silva, whose centre-right government has held office for nine years, is expected to announce his decision a few weeks before a PSD party congress in mid-February. He has repeatedly hinted that he would agree to continue as prime minister only if the PSD won a third consecutive majority in parliament. As the opposition Socialist party moves ahead of the PSD in opinion polls, speculation has grown that Mr Cavaco Silva may instead opt to enter the race to succeed President Mário Soares, a Socialist, in 1996 or retreat from active politics until a more favourable moment. But he has made clear he will remain in office until the general election. *Peter Wise, Lisbon*

Waigel to gamble on tax cuts

Mr Theo Waigel, Germany's finance minister, said yesterday be was confident the government could introduce tax cuts totalling DM20bn (£8.1bn) by 1996. However, he did not set out how the consequent revenue shortfall would be met. Speaking at a meeting in Wildbad Kreuth, Bavaria, of the Christian Social Union, the sister party of Chancellor Helmnt Kohl's governing Christian Democrats, Mr Waigel said the proposed tax cuts would affect the less well-off, particularly those on minimum incomes. The tax-free allowance of DM5,616 for single people and DM11,232 for couples is expected to be raised to DM12,049 and DM24,190 respectively. Mr Waigel said those on low incomes would pay about DM15bn less tax in 1996. He added that the controversial Solidarity tax would be scaled down from 1997 and could eventually be abolisbed by 1998. The 7.5 per cent surcharge on taxable income was reintroduced on January 1 to help pay for the cost of German unification and will raise an additional DM28.5bn in revenues this year. *Judy Dempsey, Berlin*

Lower German growth forecast

The German economy will grow less than expected and unemployment will remain stubbornly high, the Berlin-based DIW economics institute said in its annual report yesterday. The increase in taxes introduced earlier this month will continue to squeeze consumer spending, which will rise by no more than 0.2 per cent compared with 0.5 per cent in 1994. The DIW, which is one of the most cautious of the six economic institutes advising the government, said gross domestic product in west Germany will only grow 1.75 per cent compared with 2.5 per cent in 1994. Estimates by the other institutes put GDP at about 2.5 per cent for 1995. The DIW's estimates for the east German economy have been significantly revised downwards to 7 per cent. Other estimates put growth at more than 9 per cent. Mr Lutz Hoffmann, the president of the DIW, said he expected very little decrease in unemployment, with the pan-German rate accounting for 9.2 per cent, or 3.56m of the workforce, compared with 9.6 per cent in 1994. *Judy Dempsey*

Kohl reshuffles top diplomats

German Chancellor Mr Helmut Kohl has engineered the appointment of one of his closest aides to a senior position in the foreign ministry, for years the preserve of foreign minister Mr Klaus Kinkel's Free Democratic party (FDP). Mr Peter Hartmann, wbo has been German ambassador in London for just 18 months, has been recalled to take over as one of the two state secretaries in the foreign ministry, the position immediately below Mr Kinkel. The move suggests that Mr Kohl is positioning his aides for greater control over the shaping of foreign policy at a time when Mr Kinkel's political future looks uncertain. Speculation is rife that if the FDP loses state elections in Hesse and North Rhine-Westphalia in the next few months lt will be unable to maintain its position in the Bonn coalition government with Mr Kohl's Christian Democratic Union and Mr Kohl will be obliged to enter a so-called grand coalition with the Social Democratic party. Mr Hartmann's move marks one of the biggest reshuffles in the German foreign ministry for years. *Michael Lindemann, Bonn*

Bosnians delay troop pull-back

Serb and Bosnian government forces yesterday stalled on carrying out the details of a state-wide truce, with more than 100 Bosnian government troops remaining in the UN demilitarised zone of Mount Igman, south-west of Sarajevo. Under the truce, tbe troops were supposed to withdraw on Wednesday as a precondition for Serbs allowing access to the besieged Bosnian capital. UN officials also reported fighting between Bosnian government and Serb forces around the north-west town of Bosanska Krupa. But Major Herve Gourmelon, a UN military spokesman, reported general calm around the country, with only nine recorded ceasefire violations, down from 20-25 since the truce went into effect on New Year's Day. *Laura Silber, Belgrade*

Yeltsin promotes Chechnya ally

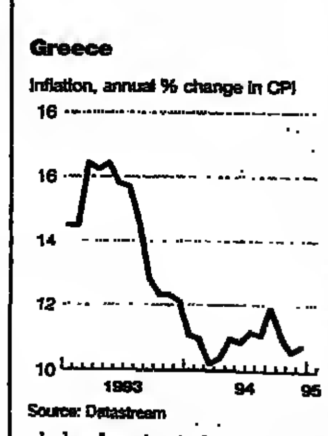
Russian President Boris Yeltsin yesterday appointed as justice minister a Communist faction member who has supported the Kremlin's handling of the Chechen crisis. Mr Valentin Kovalyov, a deputy head of the lower house of the Russian parliament, was named to succeed Mr Yuri Kalmykov, wbo resigned last month. Mr Kovalyov was elected to parliament on the Communist party list but is not a formal member of the party. He is the second member of the Russian government appointed from the Communist faction. Mr Alexander Nazarcbuk was made agriculture minister last year. *Reuter, Moscow*

ECONOMIC WATCH

Greek inflation matches target

Greece

Inflation, annual % change in CPI



Source: Datastream

Greek inflation rose to 10.8 per cent a year in December from 10.6 per cent the previous month, hut exactly met tbe aconomy ministry's revised year-end target. The statlstical service said monthly consumer prices increased by 1.1 per cent in December, reflecting higher food prices and the effects of an obligatory Ghristmas bonus paid for services. The economy ministry, hoping to reduce inflation to single figures in the first quarter of 1995, has postponed price risee for most utilities, due this month. However, the wholesale price index, considered a reliable indicator of future trends in consumer prices, is still running at more than 9 per cent. Higher prices for fuel oil, insurance and telephone tariffs, togetber with liberalisation of rents, could keep inflation hovering at around 10 per cent, according to private sector analysts. The government has set 7 per cent as the inflation target for December 1995. *Kerin Hope, Athens*

■ Spain's current accoumt deficit reached Pta89bn (£432m) in November compared with a surplus of Pta175bn in November 1993. The deficit in trade in November increased by 12.5 per cent from a year ago to Pta178bn.

■ The Austrian wholesale price index rose a preliminary 3.7 per cent in December from a year earlier – the sharpest annual rise in 1994 – and 0.6 per cent from November.

Suharto's budget tries to cut inflation

By Manuela Saragosa and agencies

President Suharto yesterday unveiled a "tight and conservative" fiscal 1996 budget aimed at cooling Indonesia's economic growth and bringing down inflation, at present more than 9 per cent.

Spending in the fiscal year beginning on April 1 is projected to rise by 11.9 per cent to 78 trillion rupiah (£23bn), a similar increase to that allowed for in the current year.

The government is legally obliged to balance its budget so as to avoid borrowing in the domestic market.

Mr Saleh Afiff, the co-ordinating economic minister, said Indoneala's inflation rate should fall to about 6 per cent during the 1995 calendar year, after hitting 9.24 per cent in 1994 and 9.77 per cent in 1993.

Mr Mar'le Muhammad, finance minister, emphasised the budget was "contractive", pointing to the broadening of the income tax base which he said would help cut inflation.

Analysts say projected inflation of 6 per cent is optimistic. They believe the budget will at best reduce inflation to 7-8 per cent. Keeping inflation down could be made more difficult by a 10 per cent rise in the minimum wage for military personnel and civil servants.

The minimum wage is also being increased by between 15 and 35 per cent in 19 of the country's provinces.

North Sumatra and East Java, two areas hit by strikes and workers' riots over the past year, are preparing recommendations for a rise in the minimum wage.

The budget, which relies on continuing growth of non-oil exports to meet debt-service obligations, is based on a projected average oil price of $16.50 a barrel compared with $16 for this fiscal year.

Oil and gas exports are still estimated to decline this year by 4.55 per cent to $9.21bn (£5.8bn) from $9.65bn in the previous year.

Non-oil exports are projected to rise 16.5 per cent to $36.24bn in the next budget from an estimated $31bn in the current fiscal year. Total exports are expected to rise to $45.46bn from $40.76bn in the fiscal year ending March 31.

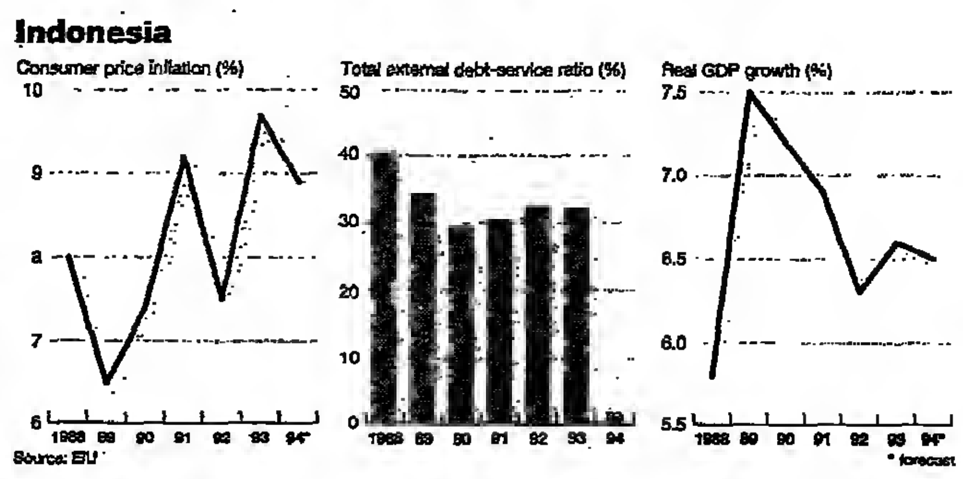
Mr Muhammad said that, even if the oil price fell sharply below the forecast price, as it did in the current fiscal year, the government would have access to funds available through more efficient operations at state-owned companies.

There would be no "shocking moves" if the oil price fell, he said in a veiled reference to speculation early last year that the rupiah would be devalued in an effort to boost the appeal of non-oil and gas exports and help offset lower oil revenues amid falling world oil prices.

Meanwhile, growing imports and a huge increase in foreign investment approvals in 1994 are causing the current account deficit to widen.

The government forecasts that the deficit will expand to $4.09bn from an estimated $3.59bn in the current year.

Foreign debt is expected to hit $100bn during this year. However, analysts say the debt-service ratio remains reasonably comfortable at about 30 per cent.



'Commercial contract' consignments will fuel US-built power plant near Bombay

India buys enriched uranium from China

India has bought enriched uranium from China to fuel its US-built power plant near Bombay, according to the Press Trust of India, Reuter reports from New Delhi.

It quoted the Department of Atomic Energy as saying China sold the low-enriched uranium in a "commercial contract" for the Tarapur power plant, the first consignment of which was received yesterday.

No further details of the deal were available.

PTI quoted Indian officials as saying the Chinese uranium would be converted into "fuel assemblies" along with a mixed oxide fuel developed by the atomic energy department.

Tarapur, India's oldest nuclear power station, had run on French-supplied uranium since 1983 when the US asked France to take over shipments under a 30-year agreement signed with Washington.

France stopped supplying uranium to Tarapur last year, saying India must first allow full inspection of all nuclear installations by the International Atomic Energy Agency.

India is widely believed to be a nuclear threshold power and has resisted western pressures to sign the Nuclear Non-proliferation Treaty.

But it has allowed IAEA inspection of two of its four nuclear power stations: those in Tarapur and the north-western state of Rajasthan.

India says the treaty, which aims to control the spread of nuclear expertise, favours countries that possess nuclear arms, while discriminating against others.

Western nations fear that without international supervision, India could divert fuel for power generation into military use in a nuclear arms race with Pakistan.

India exploded a nuclear device in 1974 and diplomats say it is close to assembling a bomb.

Pakistan is also believed to have nuclear capability, prompting the US to halt military aid to Islamabad in 1990.

India and Pakistan have fought three wars since independence from Britain in 1947.

Indian officials have frequently expressed fears that the US-built Tarapur power station, about 60 miles from Bombay, might eventually have to shut if no agreement was reached with Washington.

It was not clear yesterday whether India had informed the US of its contract with China.

US Defence Secretary William Perry is due to visit New Delhi on January 12. But it was not known whether he will take up the Tarapur issua with Indian leaders.

India and China fought a brief border war in 1962.

But their relations have improved considerably since 1988, when the then Prime Minister Rajiv Gandhi initiated a series of high-level bilateral visits.

Pakistan officials called to cotton crisis talks

By Farhan Bokhari in Faisalabad, Pakistan

President Farooq Leghari of Pakistan bas called a high-level meeting of cotton scientists and government officials in Islamabad next Tuesday, amid growing concerns that this year's economic growth rate could fall sharply behind earlier targets after a year of a cotton crop failure, officials said yesterday.

Pakistan's cotton production is central to its overall economic performance. Up to 60 per cent of export income is tied to cotton products and the large textiles sector relies on cheap raw cotton to remain profitable.

This year's crop failure makes it virtually impossible for the country to achieve the growth target of 6.9 per cent. A combination of a leaf curl virus attack and large-scale adulteration of pesticides has caused most of the losses, senior officials said.

The government has been forced to review its initial target estimates of about 9.5m bales of cotton. Officials now say the crop output would be just over 7m bales and tha overall growth rate may fall well below 5 per cent.

Signs of the crop failure hitting poorer farmers were clearly visible yesterday in some of the villages around the city of Faisalabad, in the Punjab, one of the leading centres for agri-business and research.

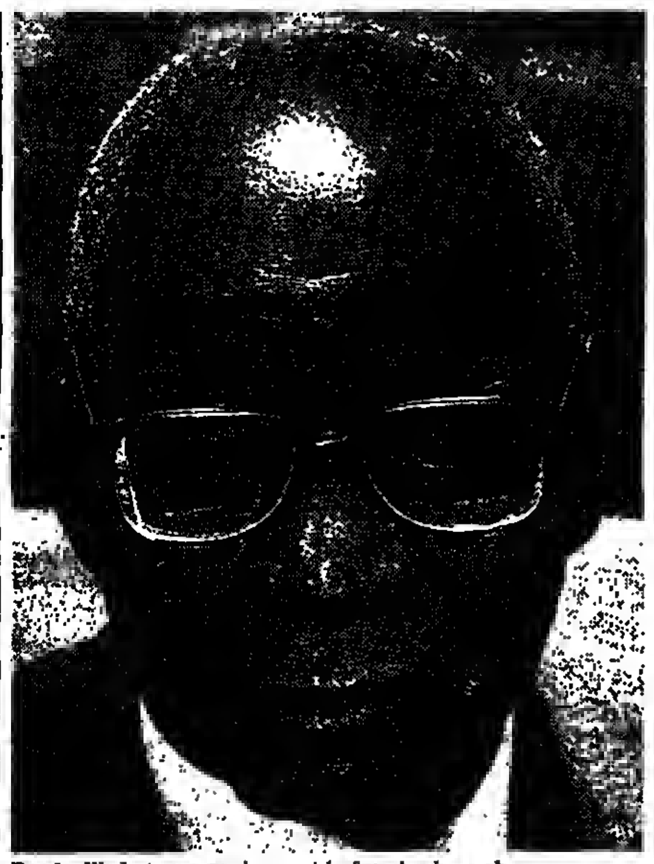
Some peasants have reaped less than a fifth of what they expected. In recent weeks, many farmers have claimed that their crops suffered the virus attack despite adequate use of pesticides. There have also been reports of the widespread sale of canisters of pesticides with broken seals.

However, no one knows if the companies which produce the pesticides were responsible, or the dealers who run hundreds of retail outlets across the country.

Mr. Abdul Ghafoor Khan, a leading scientist at the government's cotton research institute in Faisalabad, urged the government to tighten laws against adulteration.

The cotton crisis has further intensified the sense of urgency over a shortfall in the government's revenues. This week, at least 10 senior officials responsible for tax collection have been forced to change jobs, following reports that they failed to meet their targets.

The government has not disclosed the extent of the shortfall, though some officials say revenues have fallen by at least 10 per cent during the first five months of the current fiscal year (July 1994 - June 1995).



Banda: likely to appear in court in four to six weeks *Tony Andrews*

Malawi's ex-ruler may face murder charges

Malawi's government will charge ex-president Kamuzu Banda and his closest associate, Mr John Tembo, with the murder of four politicians in 1983, government ministers said yesterday, Reuter reports from Blantyre.

The ministers told a news conference the pair would be charged within 48 hours and were likely to appear in court within four to six weeks.

"Banda is the principal defendant. There is evidence that the first order for the four to be killed was given by John Tembo," said Mr Brown Mpinganjira, information minister.

Dr Banda, self-proclaimed life president, ruled Malawi for three decades from independence from Britain in 1964 until he was ousted in its first multi-party elections in May last year. The diminutive Dr Banda, believed to be in his mid-90s and ailing, brooked no opposition to his rule, threatening on occasion to feed opponents to crocodiles. A number of opponents died or suffered long prison terms.

A government-appointed commission of inquiry said on Wednesday that police acting on official orders had killed cabinet ministers Mr Aaron Gadama, Mr Dick Matenje and Mr Twaibu Sangala and member of parliament Mr David Chiwanga in May 1983 and disguised their deaths as a car accident.

Mr Gadama was regional minister for Malawi's central region and Mr Matenje was secretary-general of Dr Banda's Malawi Congress Party (MCP), under the constitution second to the president.

Mr Mpinganjira said they were apparently killed for opposing Mr Tembo's appointment as acting president while Dr Banda was abroad. Mr Tembo, minister of state and virtual prime minister before the 1994 elections, was Dr Banda's right-hand man and regarded as the power behind the ailing president during the last decade of his rule.

The government placed Dr Banda under house arrest under armed police guard at his Mudi House home in Blantyre and detained Mr Tembo on Wednesday night.

Ona diplomat said he doubted whether Dr Banda would stand trial after the commission found him incapable of answering simple questions.

He was quoted as telling the commission: "I cannot remember to have authorised or not authorised the killings."

An emotional President Muluzi, himself imprisoned in the Banda era, said the government would take appropriate action as the law required.

Lagos currency rules shackle airlines

Some say it is cheaper to turn naira passengers away, writes Paul Adams

In most countries airlines compete fiercely for passengers but since last August foreign carriers in Nigeria have been turning them away – unless they can pay in hard currency.

"Restricting passengers is unnatural behaviour for an airline," says Mr Werner Graessle, general manager of Lufthansa in Nigeria and chairman of the Board of Airline Representatives.

But the airline business in Nigeria is anything but natural.

"It has become cheaper, with all the on-costs, to leave a seat empty ex-Nigeria than to carry a naira (local currency) passenger," says Mr Graessle.

The Nigerian government, which regulates the price of naira tickets, has not adjusted the price since late 1992. Since then inflation has been running at between 50 per cent and 100 per cent and the real value of the naira has plunged.

Each carrier is bound by its country's bilateral air service agreements with Nigeria, which guarantees that they can transfer excess local currency receipts in a "timely manner".

"This has not happened since April 1993," says Mr Graessle, who speaks for all 18 international carriers as well as Nigeria Airways. "We have to sell tickets valued at the official exchange rate, and therefore transfer receipts at the same rate." The foreign airlines have an estimated backlog of naira revenue worth about $120m at the official exchange rate which has oot been converted into hard currency.

Until last year the airlines operating in Nigeria earned between 10 and 20 per cent of revenue in naira tickets. The backlog in naira receipts for all the airlines had reached about $45m by the end of 1993. Then in January last year the government outlawed all foreign currency transactions outside its control and the official supply of foreign exchange to the airlines dried up.

In June the airlines struck a new deal with Mr Aremu Yahaya, the minister of state for aviation, under which the airlines agreed to charge dollars to all expatriates but allow Nigerians to pay in naira while the government guaranteed that the airlines could regularly transfer 60 per cent of all naira receipts into hard curreocy at the official rate. The remaining 40 per cent would have been "manageable", say the airlines, until a more permanent solution could be found.

But the guarantee only held until the end of July. Then the transfers stopped and the airlines imposed limits on naira tickets. By then the airlines had sold naira tickets months in advance, increasing the backlog by a further $34m.

The airlines cut back on naira sales. The waiting list for a naira ticket is several months while the government has declared it illegal for Nigerians to buy air tickets in dollars. The only way out has been pre-paid tickets in hard currency or payment by credit card.

Big passenger aircraft carry between five and 30 passengers paying in naira. British Airways, the leading carrier, has cut its flights from 10 to seven a week and, like most other airlines, combined the route with other destinations, such as Ghana where local sales are in hard currency.

Mr Graessle rejects the suggestion by some Nigerians that the airlines should invest the backlog of naira locally, for example in hotels.

"This is working capital, not profit, which is tied up in naira. We are not in the oil or hotel business, we are airlines," he says.

The airlines and the government are negotiating a solution. The airlines want to be allowed to charge only in hard currency.

"If they allow that, why not other goods and services as well?" says a Nigerian banker. "It would be a step towards an entirely dollar economy."

Israel aims to cut 5,000 defence jobs

By Eric Silver in Jerusalem

Mr David Brodet, who took over as director-general of Israel's Finance Ministry on January 1, is demanding a reduction of 5,000-6,000 jobs in the country's depressed defence industries' 24,000-strong workforce as the bill for rescuing them has risen to $2.5bn (£1.5bn).

The government has so far committed $1.16bn to a three-year recovery programme, divided almost equally between Israel Aircraft Industries and Israel Military Industries. It is now considering further requests of $700m to bail out IMI and $650m for Rafael, the defence ministry's weapons research authority.

The main burden of redundancy will fall on IMI, which manufactures cannons and ammunition in 16 factories throughout Israel. Its payroll has already been slashed from 21,000 a decade ago to 5,000 at the end of 1994. "This year," a spokesman said yesterday, "we shall have to cut still further – to 3,000."

IMI has been hit by sharp declines in local and foreign demand for its products. Until two years ago, the Israeli armed forces were ordering a steady $200m of hardware a year from the company. This has now been halved to $100m, as the focus switches to a leaner army with smarter weapons.

The prospect of a big land war has diminished now Israel has signed peace treaties with two of its three most powerful neighbours, Egypt and Jordan, and is engaged in a peace process with the Palestinians. Emphasis has shifted to sophisticated missile defences, particularly since Tel Aviv came under fire from Iraqi Scuds in 1991.

IMI exports are running at about $270m a year, with little prospect of expansion. Israel's old customers in the developing world are either buying in the bargain basement of the former Soviet Union and its former satellites, or are making old stocks last longer. They are starting to manufacture their own, especially in IMI's low-tech market, where they enjoy advantages of cheap labour, access to regional alliances and fewer political constraints.

IMI lacks the flexibility between products and between divisions of Israel Aircraft Industries, whose 1993-96 recovery plan is much more on course. IAI reduced its labour force from 17,000 two years ago to 13,500 at the end of 1994, but hopes to shed only a few hundred more. Sales were $1.4bn last year, 60 per cent of them exports.

The Finance Ministry has given IMI workers until Sunday to agree redundancy terms. Mr Brodet has threatened to put in an "operating receiver", comparable to an American Chapter 11 bankruptcy, if they do not settle.

Workers paid off in earlier rounds received 280 per cent of their monthly wages for every year of service (the high figure recognises the low level of the average Israeli pay-cheque). The government wants to reduce the handshake to 180 per cent. Mr Brodet warned the unions a receiver would offer them no more than 100 per cent. They responded with a threat to walk off the job, or to bar products from leaving the factories.

INTERNATIONAL NEWS DIGEST

New car sales edge up in Japan

Sales of new motor vehicles in Japan edged upwards by 0.5 per cent in 1994, the first upturn in four years, a sign of the gentle recovery in consumer spending. According to the Japan Automobile Dealers' Association, demand picked up in the final months of the year, by 6 per cent in December alone, to give an annual total of of 4.9m new registrations.

Yet Japan's hard-pressed car makers have little reason to celebrate. Much of the sales gain was thanks to a 60 per cent surge in imports, helped by the cheapness they derived from the yen's strength and US and European carmakers' quality improvements. Foreign car makers sold a record 323,100 vehicles in Japan last year, 6.57 per cent of the market, and could sell 30 per cent more this year, forecasts Merrill Lynch Japan.

Overall Japanese production including exports, which were hit by the high yen, fell by an estimated 2 per cent to 11m units last year. At that level, the Japanese car industry was operating at barely above the 80 per cent of its 13.6m units annual capacity at which Salomon Brothers Asia estimates most of Japan's car makers can break even. Profitability should improve this year as a result of a stronger increase in sales and further cuts in capacity, analysts forecast.

Ms Chikao Masuzawa, equity analyst at Salomon Brothers, estimates that Japanese vehicle making capacity will fall by 500,000 units to 13.1m units this year, because of the long-expected closure next spring of Nissan's 200,000 unit a year plant in Zama, a Tokyo suburb, and a further shift in capacity to cheaper offshore locations by car makers such as Toyota and Honda. *William Dawkins, Tokyo*

Official visit to France for Aziz

France is to officially receive Mr Tariq Aziz (below), deputy prime minister of Iraq, today in an indication of moves towards an improvement in relations between the two countries following the Gulf war.

The French government confirmed yesterday that Mr Aziz would meet Mr Alain Juppé, foreign minister, this morning before travelling to New York for meetings at the United Nations. The foreign ministry said the talks would focus on reminding Iraq that it would need to implement UN Security Council resolutions before there was any possibility of lifting trade sanctions imposed after the Gulf state invaded Kuwait in 1990. However, the meeting is being seen as reflecting France's eagerness to establish friendly relations and win contracts for its companies as soon as existing trade sanctions are lifted.

France emphasised that it had informed its main partners of the visit including other countries in the Middle East, and that no other official meetings were scheduled with Mr Aziz. *Andrew Jack, Paris*

Harare marchers accuse banks

Hundreds of demonstrators marched through Harare yesterday to protest at alleged racial discrimination by banks and white-controlled companies against blacks. Demonstrators said bank officials were preventing poor blacks from getting loans to start their own businesses, and that banks and white-owned companies were a stumbling block to black economic empowerment.

Mr Enoch Kamushinda, secretary general of the Indigenous Business Development Centre, a lobby group of black business people, told demonstrators that fewer than 100,000 whites in Zimbabwe still owned more than 90 per cent of the nation's private businesses. He said the black majority of 10m were still condemned to a life of poverty by wealthy business interests, including foreign-owned banks, which denied them opportunities for advancement. In recent weeks, stone-throwing students have smashed windows of businesses they accused of racism. Black activists have called for a consumer boycott of some white companies. *AP, Harare*

Boesak post delayed for audit

The formal appointment of Mr Allan Boesak, a long-time anti-apartheid activist, to the post of South African ambassador to the United Nations in Geneva has been postponed until an investigation has been completed into allegations that a foundation he heads has misused international aid funds.

After a meeting with Deputy President Thabo Mbeki in Pretoria yesterday, Mr Boesak agreed to the delay pending an independent audit of the Foundation for Peace and Justice, a non-profit organisation that he founded. Mr Boesak also agreed to assume full "moral responsibility" should any irregularities come to light, but he insists that the charges are fabricated and the result of a media "witch hunt".

The announcement follows allegations by a Danish church organisation, Danchurch Aid, that nearly R3m (£540,000) of funds it donated to Mr Boesak had been used to finance personal loans to officials connected to the foundation. Mr Boesak himself stands accused of taking R100,000 in a personal loan and a R4,500 a month housing subsidy, as well as giving a grant of R750,000 to a video production company run by his wife. *Mark Suzman, Johannesburg*

Joint finding on Gaza shooting

Israel said last night that a joint inquiry with Palestinian security officers had confirmed its version of a shootout at the Gaza border crossing on Monday in which three Palestinian policemen were killed. "The inquiry proves beyond a doubt that the Israeli soldiers were fired on first," an army spokesman said. Although a final report has not yet been published, the Israeli spokesman said at least one of the men who shot at an Israeli patrol and set off the incident was a Palestinian policeman. When a second Israeli unit advanced on a Palestinian police post and demanded that the men inside surrender, he added, they shot at the Israelis. The soldiers then stormed the post and killed the three policemen. The Palestinians' chief peace negotiator, Mr Nabil Sha'ath, continued yesterday to accuse the Israelis of "cold-blooded murder". *Eric Silver, Jerusalem*

NEWS: THE AMERICAS

Mexico power sell-off is music to investors' ears

By Ted Bardacke in Mexico City

The privatisation of much of Mexico's electricity sector, announced yesterday by Finance Minister Guillermo Ortiz in a meeting with investors in New York, was exactly the kind of move many observers had been waiting for from the Mexican government.

Foreign investors had cited the lack of further opening in this area as one of the main reasons why they were initially unimpressed by Mexico's emergency economic plan, announced last Tuesday.

More openings to private investment in electricity, they said, would not only send a strong signal that structural reform is continuing in Mexico but also attract large amounts of direct foreign investment to help the country get through its current economic woes.

Government officials had raised expectations among investors that certain areas currently off-limits to private capital, namely existing electricity plants, would be included in the plan.

But opposition from key labour unions in the negotiations of the plan forced the government to backtrack.

But now that the government has the plan wrapped up it apparently has decided to move forward after all. Yet the process of privatising existing electricity plants will not be an easy one.

Although many companies have expressed interest in the plants, banks have been reluctant to finance such purchases.

Their worries are based on questions about how private operators would be able to ensure a constant stream of fuel supply, as the state-owned oil monopoly Pemex is the only authorised (and erratic) supplier of oil and gas.

"Prospective investments in private electric power generation are in doubt not only because of a lack of a regulatory framework that can support the requirements of project financing but because of the lack of peace of mind about Pemex's commitment to the production, supply, transmission and fair pricing of natural gas," says George Baker of the California-based Mexico Energy Intelligence Service.

Even more worrisome is that power generated would probably have to be sold to state-owned distribution companies, which are likely to remain the only retailers of electric power.

Just to handle projected new electricity output over the next six years, the government was scheduled to invest more than $500m on new transmission capacity, difficult for a company whose debt rating has just been lowered and which often has trouble paying equipment suppliers on time.

The oil sector is the other area in which investors were hoping for big privatisation announcements by the Mexican government.

Sure to go on the block are secondary petrochemical plants, which the administration of former president Carlos Salinas unsuccessfully attempted to sell for more than a year.

Low petrochemical prices on the world market and an inability to finance purchases, because of the same doubts about guaranteed supply of inputs, were cited as the reasons for failure.

But other options were being explored yesterday in a meeting between Mexican president Ernesto Zedillo and the new head of Pemex, Mr Adrian Lajous. Natural gas transmission and marketing could be opened to foreign investment, which in addition to attracting investment would remove one of the bottlenecks to private electricity generation.

Another possibility is to open Mexico up to service risk contracts which give private companies the possibility of earning extra compensation based on a specific oil well's output without ever owning the oil, as prohibited by the Mexican constitution.

Though considered a moderniser within the Pemex bureaucracy, Mr Lajous is known to oppose private investment in upstream activities. He has argued that Mexico's low finding costs and Pemex's easy access to international capital make sharing profits with private investors unnecessary.

However both the technical conditions in the country's oil and gas fields and lenders' willingness to extend credit to Pemex may force a change in policy.

US goods orders rise 2.6%

New orders for US manufactured goods rose 2.6 per cent between October and November, slightly more than projected by most forecasters, writes Michael Prowse in Washington.

The orders figures are volatile on a monthly basis: the November gain was concentrated in the erratic transport sector and followed a fall of 0.4 per cent in October. In the year to November, however, orders rose by a robust 11.8 per cent in cash terms, reflecting rapid growth of domestic demand.

Many analysts expect growth of industrial orders to decelerate in coming months following last year's sharp increase in short-term interest rates. Earlier this week, US purchasing managers reported a drop in their index of new orders last month.

Canada offers to host G7 meeting

Canada has volunteered to host a meeting of G7 finance ministers later this month or in early February for what one Canadian official described yesterday as "a general stock-taking, not tied to any particular issue," writes Bernard Simon in Toronto.

G7 officials are exploring possible dates, the official said. The meeting would, among other things, give ministers an opportunity to meet incoming US treasury secretary Mr Robert Rubin.

Guatemala minister sacked

Guatemala's President Ramiro De Leon has sacked his minister of the interior and a sheaf of senior government officials following questions raised over a deal to import cars from Panama, writes Edward Orlebar in Guatemala City.

Mr Danilo Parrinello, who had been expected to go in a planned reshuffle later this month, was dismissed along with the vice-minister of the interior, senior police officers, and the head of immigration. President Ramiro De Leon said that he would not tolerate the hint of suspicion of corruption among his officials.

Brazil bank takeover heralds an overhaul

Government's move seen as opportunity to speed change in state financial sector, writes **Angus Foster**

When a Latin American government takes control of two of its biggest banks, market unease might be expected. When the takeover comes amid a crisis afflicting another country in the region, the unease could be expected to turn to panic.

But when Brazil's central bank intervened last Friday in Banespa and Banerj, controlled respectively by the states of São Paulo and Rio de Janeiro, there was applause rather than panic.

No queues of customers have formed to withdraw their money and private sector banks have resumed lending to the two troubled institutions, although at higher rates.

Other governors are expected to request the same for their banks

Such circumspection stems from the belief among customers and bankers that the banks are too big and politically important for the central government to close down. The intervention, which was not related to the collapse of the Mexican peso, stemmed from liquidity problems resulting from a government credit squeeze.

Brazil's private sector banks are also seen as strong enough to stop any domino-like reverberations across the banking system as happened in Venezuela last year. And, analysts say, the new president Fernando Henrique Cardoso now has an opportunity to reform the state banks, whose debts threatened to undermine Brazil's new currency, the Real, and stoke inflation.

"It was an exquisitely executed *coup de grace*," said a private banker in São Paulo. "The central government can now force the pace of change in the state banks, rather than rely on reluctant state governors."

The intervention was "exquisite" because it came too late for the outgoing governors to react before their mandates ran out on Sunday, yet in time to be implemented when their successors took office. Politicians use state banks as important sources of patronage and state governors have blocked previous attempts to wrest control of the institutions.

Even though the new governors of São Paulo and Rio are members of Mr Cardoso's Social Democracy party (PSDB), his government was not sure they would welcome the move.

Under the intervention, known officially as a "special temporary administration", new directors have been appointed by the central bank and have 60 days to assess the banks. The banks remain open and customers have been assured by Mr Pedro Malan, the new finance minister, that their accounts are safe.

Cardoso: opportunity for reforms to prevent the new currency being undermined

At the end of the intervention period, which lasts one year but can be extended to two, the banks can be returned to their states or, what is more likely, sold.

Banespa's new directors have already sacked 1,390 people who they suspect were political appointees with no work to do. The bank's fleet of 703 cars, twice the size of the governor's, is also being cut by 90 per cent.

Brazilian banks

		Number of employees	Costs per employee ($)	Net assets June 1994 ($bn)	Bad loan ratio (%)
State owned	Banespa	34,432	26,240	24.30	11.25
	Banerj	12,000	13,775	2.23	23.65
Private	Bradesco	62,588	8,500	19.30	2.76
	Itaú	39,362	8,820	14.5	2.89

Source: Austin ASIS, FT

Payment transactions per employee (US=100%)

Private banks	44% (47,200)
Public banks	28% (30,600)

Source: McKinsey analysis

Both banks are expected to close hundreds of loss making branches.

Other state governors are watching closely. Nearly all have inherited budget problems and loss-making state banks. Now that the precedent of intervention has been set, several governors are expected to request that their banks are taken over as well.

Blame for the urgent but politically unpleasant task of cutting jobs and branches could thus be shifted to the central bank.

The intervention has raised doubts about the future of the state-owned banking network. The central government and the states own 25 banks which hold just over half total banking assets, yet are widely felt to be over-staffed and inefficient. They have survived, despite private sector competition, because of political influence and windfall inflationary gains.

Since inflation fell sharply in July after the introduction of the Real, analysts say most state owned banks have been losing money.

Some states controlled by Mr Cardoso's allies are considering privatising their banks independently.

The southern state of Minas Gerais wants to sell one of its two banks and the poor north eastern state of Ceará has announced it is studying a sale. Other smaller banks could be merged or, in the worst cases, even shut down by the central bank.

Dealing with the smaller banks will be comparatively easy, as will cost cutting at the larger banks. What will not be easy is untangling the ties between the big banks and their shareholding governments and preparing them for full private sector competition.

Banespa, for example, has outstanding loans of $3.5bn to the São Paulo state government. Many were extended to other state-owned companies, often on political rather than business grounds. The new directors are assessing what proportion of these loans are bad.

Banespa will be unattractive to investors until these loans have been paid off or collateralised.

But the new governor of São Paulo, Mr Mário Covas, has bigger problems to deal with – he has inherited a state with debts of $32.7bn, equal to about two years of tax revenues. He may not be in hurry to help Banespa, either, since he is thought to be upset that the central bank intervened in the bank without his knowledge.

Vehicle output rises 14%

By Angus Foster in São Paulo

Brazil's motor vehicle industry broke all its records last year, thanks to the country's renewed economic growth and strong exports.

Vehicle production increased by 14 per cent to 1.58m units which, according to Anfavea, the manufacturers' association, will consolidate Brazil's place in the world's top 10 vehicle producers. It was the second successive year of strong growth, and production has increased by nearly 60 per cent since 1992.

Exports grew 14 per cent to 378,000 units, with Argentina as the main market. Imports more than doubled to about 128,000 units for the first 10 months to November, encouraged by falling tariffs and government moves to open the economy.

Domestic sales were lifted by strong consumer demand, especially after inflation fell following the launch last July of the Real currency.

Renewed growth in Brazil's agricultural sector helped lift sales of agricultural vehicles by more than 60 per cent to nearly 51,000 units.

Mr Luiz Scheuer, president of Anfavea, predicted further production records this year, although the pace of growth could be slowed by rising imports.

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

C&W goes for US telecom link

Cable and Wireless, the UK-based telecommunications company, yesterday took the first step in its strategy of developing tailored communications solutions for industry sectors. It announced the formation of an equally owned joint venture with US group Schlumberger, the oilfield services and measurement organisation, to provide customised telecommunications services on a global basis for the oil and gas industry. The industry currently spends a total of $37bn annually on information technology and telecommunications. The new company, Omnes, will have its headquarters in Houston, Texas, and its first activity will be to manage and develop Schlumberger's private network, SINet, which now operates in 53 countries. Mr Edward Astle, chief executive of international services for C&W, said said the company would offer a range of services from remote connections to sophisticated information technology applications. *Alan Cane, London*

Beijing moves on dumping

China yesterday ordered all chambers of commerce and enterprises to respond promptly to mounting allegations of dumping of Chinese exports, warning of severe problems in 1995. In 1994, the ministry of Foreign Trade and Economic Co-operation recorded 37 cases of Chinese exports being subject to anti-dumping investigations or imposition of anti-dumping taxes, the Xinhua news agency said. Of the cases, 15 took place in the US, followed by nine in Europe and five in Mexico.

China's losses through anti-dumping fines exceeded several hundred million dollars last year with incalculable indirect losses, according to a ministry official. *Reuter, Beijing*

Contracts and ventures

■ Shipbuilding orders that South Korean companies secured from foreign clients during 1994 totalled 6.37m gross tonnes, down 33 per cent from 9.49m in 1993, the Korea Shipbuilders' Association said yesterday. *Reuter, Seoul*

■ Bechtel Group of the US has agreed to set up a joint venture on Daxie island, off the east China port of Ningbo. The island, with an area of 30.84 sq km, is being developed by China International Trust and Investment. A pontoon bridge linking the island with Ningbo, one of China's best deepwater ports, has been completed at a cost of Ynt7m ($2bn). *Reuter, Beijing*

■ A unit of engineering group Asea Brown Boveri has signed a $65m contract to supply a power and water control system to Abu Dhabi. *Reuter, Abu Dhabi*

■ Alcatel Network Systems, a unit of Alcatel Alsthom, has signed deals worth M$1bn ($392m) in Malaysia. The company has won deals for switching contracts, supply of cellular phone network equipment and most recently, a M$500m contract to set up a personal communications network and an interconnecting microwave system for MRCB Telecommunications, a unit of Malaysian Resources. *Reuter, Kuala Lumpur*

■ South Korea's Halla Engineering and Heavy Industries has won an $86m shipbuilding order from Hong Kong's Grand Seatrade Shipping Agencies. Halla will build two 168,300-dwt bulk carriers for delivery during the second half of 1996. The contract brought shipbuilding orders Halla won in 1994 to 28 vessels worth $1.04bn. *Reuter, Seoul*

■ Ausmelt of Australia has been chosen by Stillwater Mining to design and supply a smelting furnace and lance system for Stillwater's smelter at Columbus, Montana. Ausmelt said it would be responsible for construction supervision, start-up and training on the Ausmelt system, with engineering starting this month. *Reuter, Melbourne*

US waves big stick at Chinese pirates

Nancy Dunne and Richard Waters report on a fierce row over $1bn copyright infringements

Twenty-nine Chinese factories churning out pirated copies of US-produced videotapes, compact discs and computer software have become a symbol of US resolve to make headway against copyright infringement. To back up this resolve, Washington has threatened tariffs of 100 per cent on $1bn (£600m) of Chinese imports unless there is an agreement by February 4.

For some of the big companies which dominate the US entertainment and media industries, the battle is central. "Intellectual property is a huge problem and must be addressed," says Mr Arthur Sackler, vice president in charge of law and public policy issues at Time Warner. "There are better than two dozen factories over there producing CDs really badly harming our east Asian business."

This is not the first time Washington and Beijing have been on the brink of trade war over intellectual property complaints. In 1989 China agreed to pass a copyright law and strengthen patent protection. Five years later, after the US trade deficit jumped from $6.2bn to about $28bn, another US administration is insisting these laws be enforced.

US officials have presented Beijing with a detailed plan to end the dispute. They are willing to be "reasonable about the perimeters and timetable" but they have three demands:

Mr Peter Sutherland, the director general of the World Trade Organisation, yesterday said China should be included in the new trade body that came into being on January 1, but only after it complies with basic regulations of discipline and transparency, Reuter reports.

"After all, China is the sixth largest trader in the world," Mr Sutherland said.

Commenting on the recent trade disputes between China and the US, Mr Sutherland said: "You can't describe this as a trade war, there are some difficult issues. These differences should be resolved through bilateral discussions."

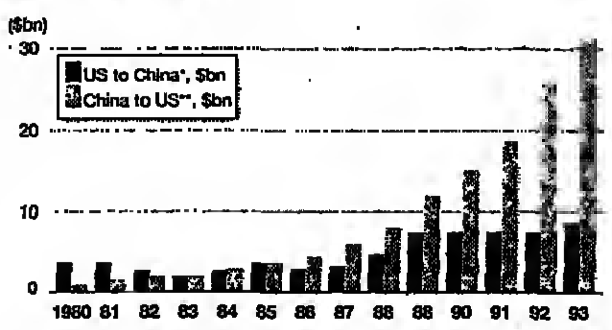
● Immediate and effective measures against piracy. Industry, for example, would like the 29 factories bulldozed, but the most productive pirates are the most likely to be spared because of their close ties with senior communist party officials.

● Market access for US films, CDs, books and cassettes being stolen and reproduced.

● Structural changes by the Chinese government to ease imports, such as the creation of an effective customs service and modifications in the Chinese legal system.

Washington almost certainly will not capitulate as it did last May when President Bill Clinton "de-linked" China's Most Favoured Nation trade status from human rights. This, officials believe, gave the Chinese the impression the president is "a paper tiger," particularly after the climbdown was followed by a high profile sales and investment mission led by Mr Ron Brown, commerce secretary.

US - China trade



Source: US Commerce Department

*Free on board
**Cost, insurance and freight

The Commerce Department is hawkish in the looming confrontation and is in accord with Mr Mickey Kantor, the US trade representative, that a tough stand must be taken.

"From the outset, we were very clear that there would be big emerging opportunities but also big emerging problems," said Mr Jeffrey Garten, the Department undersecretary for international trade. "We knew there would be problems with human rights, the environment and a variety of trade issues. Intellectual property rights is at the top of the list."

China's growing surplus is partially due to a shift in production from Hong Kong and Taiwan, says the Commerce Department. Still the US absorbs about 35 per cent of China's exports, while its own businesses find the Chinese market "essentially closed."

US officials say they do not expect to achieve trade parity, but see potential for "enormous export gains" from the $250bn China is expecting to spend on telecommunications, power and energy projects over the next five to seven years.

US importers will be less happy with sanctions if they are imposed, but the retaliation would be carefully targeted to spare US companies which import cheap parts.

"There are lots of low wage countries where they can move production," another trade official said. "Mexico would be pleased to have these industries. Besides China is one of the riskiest places to invest."

For many US companies which have built up long-standing trading links with China, such comments seem disingenuous. Many have invested heavily in developing their own parts operations in the country or transfered technology to local partners, and could not easily shift to suppliers elsewhere.

McDonnell Douglas, for instance, first began making landing gear doors in China to feed its US aircraft manufacturing operations in the 1980s and has expanded since to nose structures and stabilisers. United Technologies also manufacturers some jet engine parts in China to feed its Pratt & Whitney manufacturing operations in the US. Chinese manufacturing standards have risen fast, and "over time will be world class," says United Technologies (UTC).

Neither manufacturer views the current trade spat as a threat to their two-way trade links – though both are watching the situation. UTC, which had more than $500m of sales of elevators, air conditioning systems and jet engines to China last year, says: "As yet it is not a major factor for us. But in the future it could be."

The high technology and entertainment industries, which rely on protection of intellectual property, are united in demanding action. They believe Chinese piracy of copyrighted works alone reaches at least $1bn annually and that China's annual production capacity of stolen products exceeds 75m in a market which can absorb only 5m. Most of the counterfeits are moved in Hong Kong, south-east Asia and the Americas.

There is no strict link between the current dispute and US insistence on far-reaching reforms before agreeing to China's membership in the new World Trade Organisation. But a US official acknowledged: "We will not support accession unless intellectual property rights concerns are resolved."

Mr Garten said he had always expected US relations with China "to take two steps forward and one step back." His focus is on the long run, which is why the US government has pushed to get US companies into the market. "Our eyes are on the prize," he said.

Fears ease on tough new tanker liability rules

By Charles Batchelor, Transport Correspondent

Nearly 1,200 tankers have obtained clearance from the US Coastguard to sail into American waters, easing fears that imposition of tough new financial liability rules would lead to oil shortages in the US this winter.

This represents a victory for the coastguard against a sustained campaign by independent tanker owners for an easing of the rules, but it leaves shipowners facing higher costs. More than 1,000 of the 7,000-strong world tanker fleet are needed to meet US oil needs.

Owners now hope the cost of obtaining insurance cover for the extra guarantees they have had to provide will fall as the insurance market gains greater experience of pricing this type of risk.

Problems arose after the rules governing financial liability were tightened in the wake of the Exxon Valdez tanker disaster off Alaska in 1989. The coastguard set higher limits on the "certificates of financial responsibility" required from shipowners with effect from December 28.

Difficulties were compounded when the coastguard insisted that, in the event of an oil spill, they be allowed to make a direct claim against the protection and indemnity (P&I) clubs which shipowners have traditionally used to cover themselves against risk.

The P&I clubs refused to take on the extended responsibility, prompting insurers to set up two schemes, First Line and Shoreline, to provide cover. First Line provides cover of up to $375m (£234m) per vessel if the owner's P&I club disputes a claim; Shoreline offers up to $395m.

"The certificates seemed to be a focal point of opposition against the Oil Pollution Act in general," said Mr Dan Sheehan, director of the coastguard's National Pollution Funds Centre. "But there was a co-operative afford by the entire maritime industry and the December 28 deadline went smoothly."

Shipowners said the importance of the US as a destination for oil shipments had forced companies to back down. "In today's markets it is difficult to survive without trading to the US," said Mr Philip Rankin, spokesman for Intertanko, which represents independent tanker owners.

But neither of the two insurance schemes had been tested under fire. "They are an additional cost which provides zero extra benefit to the owner and the US public."

London & Overseas Freighters, a Bermuda-based shipowner which has obtained certificates for its four tankers under the First Line insurance scheme, calculated it faces up-front costs of $40,000 for its one 80,000 gross-registered-ton tanker and $18,500 for each of its three 37,000-ton vessels, and a voyage premium of $10,000 each time one of its vessels sails to the US, to a maximum 20 voyages.

"This represents $200,000 a vessel per year for vessels trading frequently with the US," said Mr Huw Spiers, chief financial officer. "We are now paying a lot of money for someone to take the risk of providing financial guarantees.

"The insurance schemes have been put in place quickly, but when the insurers gain experience and see there is little risk, they will be able to reduce their premiums.

"We will continue to look at [insurance premium] rates carefully," said Mr John Goldberg, a principal of Johnson & Higgins, the insurance broker which put together the First Line scheme. "We didn't create the problem. That was caused by the Oil Pollution Act. All we did was to provide a solution."

Disturbances anger opposition parties ● New appointment to tighten security

MPs to quiz minister on prison record

By James Blitz

Mr Micbael Howard, the bome secretary, and Mr Derek Lewis, the director-general of the prison service, are to face further questioning over the recent disturbances in UK jails after an influential group of MPs said it would cross-examine both this month.

As the opposition Labour and Liberal Democrat parties pressed for the two to resign, the House of Commons bome affairs committee said it would summon Mr Howard and Mr Lewis to answer questions in public sessions.

Members of the committee are expected to investigate the chains of command in the Home Office and the prison service following the escape of three prisoners – all serving life sentences – from Parkhurst prison on the Isle of Wight on Tuesday.

Mr Howard and Mr Lewis will also face detailed questioning about other breaches of security in UK jails, including the riots at Everthorpe prison, Humberside, and the breakout at Whitemoor top security jail, Cambridgeshire, last autumn.

The governor of Pentonville prison in London, Mr Bill Abbott, was yesterday appointed as assistant director of the prison service, with a hrief to develop ideas to tighten security.

Mr Michael Forsyth, the prisons minister, yesterday called for an end to the "witch hunt" against government figures in the wake of recent disturhances. In an interview on BBC radio, he praised Mr Lewis's "very remarkable" achievements in cutting the number of escapes and redncing costs.

However, the Labour party stepped up pressure on tbe government over tbe Parkhurst break-out, demanding an independent inquiry into the escape and expressing renewed concern that the three prisoners remained at large.

In a letter to Mr Howard, Mr Jack Straw, Labour's shadow home affairs spokesman, expressed fears that the internal inquiry would allow the prison service to be "judge and jury in its own cause".

He also called on the home secretary to suspend the privatisation programme in the prison service, claiming thet it had created "enormous insecurity" and had "no public support whatsoever".

At Parkhurst prison itself, Mr John Wright, the senior policeman investigating the break-ont, said he would examine whether or not the escapees had help from inside the jail.

Mr Neil Mason, the spokesman for the Prison Officers' Association at Parkhurst, said there was confusion at the jail caused by "appeasement" of inmates, and that officers were tired and "fed up" as a result of staff shortages.

A High Court judge has granted a court order protecting the younger children of alleged mass murderer Frederick West from adverse media publicity. The order comes after reports that the alleged "confessions" of their father are being offered for sale. The order renews and extends previous injunctions protecting the five children – all 16 or under – who are currently in the care of Social Services staff. West's three other surviving children are all adults. The order restrains any individoal or company from pnblishing or broadcasting "any information relating to the care and nphringing of the children", but excludes information already in the public domain. Glóncestershire County Council said it had songbt the order after reports that a former legal clerk was offering for sale alleged "confessions" of Frederick West, who committed suicide in a prison cell on New Year's Day.

'Party of law and order' is put under pressure

By Alan Pike,
Social Affairs Correspondent

A spate of disturbances, escapes and other incidents in British prisons has brought renewed focus on law and order policies in a way that is embarrassing for the Conservative government.

Responding to rising public concern ahont crime is regarded as a high political priority in the UK, the US and elsewbere. Reducing crime is, bowever, a complex and long-term process and the range of weapons available to politicians under pressure to implement short-term solutions is limited. Governments anxious to take quick action have traditionally resorted to increased use of custody, and this is once again affecting UK policy.

The UK uses imprisonment as a penalty to a greater extent than most European nations, but in the early 1990s the government began trying to reverse this trend. It concluded that even a abort term in prison could confirm many young offenders as criminals, and announced a shift from imprisonment to community-based penalties – which have the advantage of being up to 20 times cheaper than custody.

This policy change coincided in 1990 with the most serious outbreak of rioting in British prisons in modern times. The report of an official inquiry into the disturbances – largely accepted by the government – recommended improving physical conditions in jails and making prison into a more constructive experience for inmates.

Penal reform groups applauded the prospect of better prison conditions and a reduction in the use of custody.

But within three years the government, with law and order rising up the scale of political pressures, reverted to a tougher approach to offending which has resulted in the prison population growing rather than decreasing. Mr Michael Howard, the home secretary, has declared that "prison works" and warned offenders that they must not expect it to be like a holiday.

These rapid changes in emphasis in penal policy have brought complaints from prison staff that they are being expected to work to confused objectives and unrealistic expectations.

At the same time, the service is undergoing enormous structural change. The UK is – in the face of opposition from penal reform groups and the prison officers' union – introducing private prison management and a more decentralised structure.

Mr Derek Lewis, the Prison Service's chief executive, had no previous experience of prisons when recruited from the private sector to take on the job.

The changes are controversial and have faced stiff opposition. A recent series of spectacular lapses in security, although largely unrelated to the reforms taking place in the prison system, have put the government's opponents on the attack.

Trouble behind bars

1992: Conservative party gives pre-election commitment to extending privatisation of prison service.

1993 Jan: Derek Lewis, former chief executive of leisure group Granada, becomes director-general of prison service in England and Wales.

May: Michael Howard becomes home secretary; says "being in prison should not be a picnic" – in spite of warnings of poor morale in prison service.

1994 April: Private security company Group 4 – which operates prison and prisoner-escort operation – is criticised after seven inmates escaped from its custody within two weeks.

August: Uproar greets news that Brighton bomber Patrick Magee was one of four Republican prisoners transferred back to N Ireland the day after IRA declared ceasefire.

September: Five IRA members and an armed robber escape briefly from Whitemoor jail, Cambridgeshire. Two weeks later nearly 1 kg of Semtex and detonators found at the jail despite intensive searches and increased security ordered after the break-out.

December: Lewis receives £35,000 bonus from the government for the previous year. Bonus is added to his £125,000 annual salary to make him Britain's highest-paid civil servant.

1995 Jan: Frederick West, accused of 12 murders, hangs himself in Birmingham prison. Inmates at Everthorpe prison, north Humberside, riot for two nights. Three violent prisoners escape from high-security Parkhurst prison in southern England amid claims that inmates had access to "master key".

Documents leaked in September 1994 from the Prison Service showed that between April 1993, just before Mr Howard took over the Home Office, and September 1994, there were:
the escape of 429 inmates; 2,599 major incidents of violence and protest; 23,715 minor incidents in prisons;
249 assaults on staff; 486 attacks on inmates by violent prisoners; 7,433 separate discoveries of heroin, cocaine, crack, LSD, barbiturates and drug-taking equipment in jails.

UK NEWS DIGEST

Rover to add 300 more jobs

Rover Group is to create 300 more jobs at its Land Rover engine manufacturing plant at Solihull near Birmingham, whicb is to become the source of diesel engines for Rover cars and Land Rover four-wheel-drive vehicles. The 300 jobs are additional to a 1,450-job expansion programme announced last Octoher and to 1,300 jobs created in Land Rover earlier last year for expansion of Land Rover Discovery and Range Rover production.

The £6m ($9.4m) addition to the Solihull engines plant means that Rover, acquired by BMW of Germany last year, will have created more than 3,000 jobs in less than 18 months, firmly reversing years of decline. Furtber expansion cannot be ruled out. Rover has been steadily increasing its market share throughout Europe. Its Land Rover suhsidiary increased production by 35 per cent last year to a record 92,500 units.

The Solihull engine plant will be the sole production centre for a new turbo-charged diesel engine which is to be launched in Rover's 600 mainstream executive car range in a few months. Until the Solihull facility comes on stream the new diesel will be produced alongside the K-series and other car engines at Rover's Longbridge facility near Birmingham.

Field to resume output

The Kittiwake oilfield in the North Sea was expected to return to production yesterday after an investigation into a power failure on the shuttle tanker Norissia, Shell Expro said yesterday. Norissia, which requires engine power to remain on station at Kittiwake, which produces 35,000 barrels of crude a day, was detached on Wednesday to prevent risk of damage and Kittiwake production was halted.

Shell Expro, a 50-50 joint venture between Royal Dutch/ Shell and Exxon, said its 80,000 bd Brent Alpha platform remained down after weekend storms, but was expected to start pumping again this weekend. Chevron said its Alba oilfield remained shut pending repairs to electrical equipment on a floating storage unit which serves the 70,000 to 75,000 bd field. The company said repairs to storm damage sustained on Sunday had heen disrupted by bad weather, but the field was expected back on line soon.

Factory for N Ireland

Daehwa Metal Co of Korea is to set up a manufacturing plant employing 240 people in Northern Ireland. The plant will produce components for the video cassette recorder market, mainly for the Daewoo Electronics plant on same Antrim industrial estate.

The British government is providing £3.4m ($5.3m) assistance towards the £7m project. Daewoo is taking a 40 per cent stake in the company and investiog some £2.8m, with Daebwa making up the balance of £800,000. Work on the new factory is to start immediately and production is due to start in the summer.

Duchess is 'vulgar'

The Duchess of York is "vulgar", Lord Charteris, a former private secretary to the Queen, says in an interview with The Spectator magazine, part of the Telegraph group beaded by Mr Conrad Black, the Canadian entrepreneur.

On the question of Prince Charles's marriage, Lord Charteris says: "The Queen Mother is aware that in her lifetime the Prince and Princess of Wales are going to divorce. She is quite prepared for it and, yes, she can and will withstand the shock."

Holidays to rise

More than 10m Britons are expected to buy summer package holidays from travel agents this year, up from last year's record 9.8m, agents predicted yesterday. Thomas Cook, the travel offshoot of Westdeutsche Landesbank, said yesterday that sales were about 10 per cent higher than at the same time last year. Mr Andrew Jones, marketing manager for Going Pieces, tbe second-biggest travel retailer, forecast summer package sales of 10.5m for the industry as a whole.

Spoof leader fights on

Sutch, who considers himself Britain's longest-serving political leader, is selling his luxury seaside home in order to raise the £100,000 ($156,000) needed to field 100 candidates in the next general election. Mr Sutch, once a pop singer who called himself Screaming Lord Sutch, heads an organisation called the Monster Raving Loony Party and has become familiar in his fancy dress at parliamentary elections over more than 20 years. His policies are unclear, except that he often claims that the real parties are the "raving loonies" of political life and that his is the only sane one. Now better known than many mainstream politicians, he says he expects a general election this year. "I think this will be my year," he said. "I am getting my troops ready."

JURY SWORN IN: The jury in the trial of Mr Muhammed Naviede, the former chairman of the Arrows trade finance group, was sworn in at the Old Bailey (Central Criminal Court) in London. Mr Naviede faces charges including obtaining £4m by deception from a Dutch bank and deceiving creditors. He denies all the charges.

MERCY MISSION: An RAF Nimrod reconnaissance aircraft flew from its base in Scotland to assist the crew of a German-registered cargo ship south of Greenland. Crewmen tackling a hlaze in the engine room of tbe Bergen thought they might have to abandon ship. An RAF spokesman said: "We were asked to belp and the Nimrod was scrambled."

Motorola to buy Digital chip plant

By James Buxton,
Scottish Correspondent

Digital Equipment, tbe loss-making US computer company, is to sell its semiconductor plant at South Queensferry near Edinburgh to Motorola, the US electronics company, for an undisclosed sum.

The transaction represents a retrenchment by Digital and an expansion of Motorola's semiconductor manufacturing operations in Europe in response to fast-growing demand for its products. Motorola intends to expand the South Queensferry plant.

Motorola will take over the 20,000 sq m South Queensferry plant intact with its 500-strong workforce. It will contiune to manufacture Digital's high-powered Alpha microprocessor products at Soutb Queensferry for two years and will introduce its own products, including chips for mobile telephones and pagers.

Motorola Chairman Mike Alderson welcomed the acquisition

Motorola will develop tbe South Queensferry plant whose 85-acre site has more room for expansion than its semiconductor plant at East Kilbride near Glasgow, where a £250m ($390m) expansion project is underway.

Digital opened the South Queensferry plant in 1990 after investing £100m, and has been spending a further £65m in upgrading it. Rather than make a further investment in the plant when the current generation of Alpha microprocessors hecomes redundant after 1996, Digital decided to invest in its more sophisticated facility at Hudson, Mass.

Proposal for Lloyd's company is delayed

By Ralph Atkins,
Insurance Correspondent

Outline proposals for Equitas – a new company whicb Lloyd's of London hopes will take over liabilities ontstanding on insnrance policies underwritten before 1986 – are to be unveiled in February, a month later than originally scheduled.

Officials said the delay wonld allow the insnrance market to include more details in the Equitas "project guide", whicb will indicate possihle cost savings for Names anxions to transfer responsihilities for outstanding liabilities.

Lloyd's recovery depends on the success of the Eqnitas project, which will in effect act as a big reinsurance company. Withont Equitas Lloyd's would remain hlighted by "old years" prohlems, inclnding potentially massive US asbestosis and environmental pollution claims. That would cripple efforts to attract new investors.

Figures on the reserves reqnired hy Eqnitas are expected later this year, when Lloyd's will seek regulatory approval for the company from the Department of Trade and Industry.

By then Names – individuals whose assets have traditionally sopported the insnrance market – sbould have a better idea of terms on which liabilities migbt be reinsured. Also to be decided is where the finance for Equitas' capital base will be raised. Lloyd's said the project should be in operation by the end of this year.

Farmers to protest to minister

By Deborah Hargreaves

Sir David Naish, president of the National Farmers' Union, will meet Mr William Waldegrave, agriculture minister, today to condemn violent protests over the export of live animals to mainland Europe.

The meeting comes after a week of demonstrations at Shorebam on the south coast of England where 17 protesters were arrested on Wednesday after clashes with police. The demonstrators, who turned trucks back on Monday and Tuesday, failed to stop nine loads of calves and sheep leaving for Dieppe in France on Wednesday night after drivers took another route into the port.

Port authorities want government assurances of police protection for livestock shipments.

Mr Philip Lacey, port manager at Shoreham, said yesterday that it was unreasonable for anyone to expect the port to break the law by stopping legal use of its facilities. Sir David said: "This is a lawful trade which must be allowed to continue as part of the European Union's single market for those who wish to meet their customers' requirements, but it must be carried out under the strictest possible welfare rules."

New laws on the welfare of animals in transit will come into force on January 13. Many animal welfare groups and passenger ferry companies say they do not go far enough.

Go-ahead for genetically-engineered food

By Clive Cookson,
Science Editor

The government has given safety clearance to Britain's first three genetically engineered foods: tomato paste, rapeseed oil and soya bean extracts.

The agriculture ministry has told the companies producing them – Zeneca of the UK, Plant Genetic Systems of Belgium and Monsanto of the US – that formal approval is likely to follow a meeting of its Food Advisory Committee next month.

The only issue still to be decided is whether genetically modified foods should be carry an identifying label and, if so, what it should say.

"We have already decided to label voluntarily because we want to build up consumer confidence," Zeneca said yesterday. "But we have not yet agreed the exact wording."

Zeneca's tomato purée is expected to be the first of the three foods to reacb the supermarket shelves, late this year.

Zeneca will grow and process its genetically engineered tomato in California for at least two years. Then it expects to expand production in southern Europe.

Monsanto's soyabeans are genetically engineered to withstand Roundup, the company's widely used weedkiller.

The oilseed rape from Plant Genetic Systems is modified to make the male plants partially sterile. This makes it far easier for hreeders to achieve the cross-pollination required for new bybrids, whose seeds will eventually produce snperior vegetable oils for cooking and salad dressings.

RECRUITMENT

JOBS: Trying old-fashioned courtesy

Manners maketh the management

What New Year resolutions should recruiters be considering for 1995? Should they indeed make any, or is everything fine and dandy in the market?

To contradict those who may be thinking the latter, I have compiled a short list based on observations and comments passed oo to the Jobs column in 1994.

Perbaps the first resolntion – if tbe streogth of feeling among complaints from job applicants is anything to go by – should be to inject a little more old-fashioned courtesy into tbe selectioo process. This means replying to epplications instead of ignoring acknowledgments to all but those who are successful for interview.

Failure to reply to applications was mentioned repeatedly as one of the biggest bugbears among job seekers who contacted the column last year.

While some recruiters may think that such an approach is the prerogative of the buyer in a buyer's market, they are failing, as one reader pointed out, to take account of the adverse public relations impact. The reedar said: "The applicant may be a customer of the company. He or she may bave friends and relations of other customers."

Such disregard is also shortsighted given the fluctuations in the labour market. When the labour pool shrinks and tbose selling their skilla become able to pick and choose their employer, past experiences with a particular organisation may prove a fundamental influence in their decision.

Only last month, Incomes Data Services, the UK employment researcb specialist, was registering in some sectors the first signs that the economic recovery is beginning to push up salaries. The trend, it said, has been particularly noticeable in information technology where demand for staff has increased markedly in the last 12 months.

The second resolution is for boardroom recruiters. Tbey sbould resolve to keep oo appointing their pals. They are going to need every frieod they can get in 1995. The self-inflicted damage created by the 75 per cent pay rise awarded to Cedric Brown, chief executive of Britisb Gas, while aome employees feced pay cuts, will go down as e classic example of a public relations disaster.

A resolutioo for academics interested in employment and work organisation: this year look at something, anything, other than buman resource management, which must have been ooe of the most intensively studied aspects of the labour market last year.

Occupational psychologists might make one small resolntion: to write in language that we can *all understand*. And management gurus might think of tempering their passion for a certain word: paradigm.

Finally, a resolutioo for all employers: that they make more of one of our most underused resources – the thousands of unemployed older people whose skills are being wasted. A start could be to end specifying age ranges in UK job edvertisements.

● Hay Management Consultants' review of European compensatioo trends in 1994 has produced some interesting salary pointers among its tables. The overall conclusioo is that the concept of Europey for most people is still a long way off. Taxation and social security differences remain large across Europe.

Looking at overall salary increases over the past 10 years ecross Europe (lumping Japan and the US into the comparison for good measure), it has decided that the three places where you would have noticed most differences in salary increases were Portugal, Ireland and Spain. The most prudent countries oo pay were tbe Netherlands, Belgium, France, Finland, Switzerland and Sweden.

When it icoks at two of tbe most important aspects of pay – what you get oet and its relative purchasing power – side by side, it produces the accompanying grapb (below left). The graph is compiled using Belgian salaries and purchasing power oo e base of 100, with those countries which have reletively higher figures above the line and those with lower figures below it.

Belgium is used for the index since it represents a neutral central location for many multinationals. The salary comparisons use tbose jobs which attract a 600 Hay points rating: junior and middle management levels, senior professional staff and regional sales managers.

While Jepan, Switzerland and Germany are firmly on top of the pay and purcbasing league and other countries such as Spain and the US enjoy comparatively low income tax and cost of living, the place where your pay can do least for you seems to be Finland.

● The Employment Conditions Abroad Consultancy, looking exclusively at purcbasing power, has provided the data for a table (above) that may belp those seeking to know how much it would cost them to maintain living standards for their families in a move overseas.

The figures are based on the salaries of a typical middle manager in e medium-sized company and annual outlay on consumer goods, excluding housing costs, in both the home country and in comparison with eight other countries.

Hong Kong tops the purchasing power table, reflecting the higb competition in the territory for skilled and qualified labour. Singapore and the US are second and third.

It should be noted, bowever, that the effect is accentuated for Hong Kong and Singapore nationals since a significantly higher proportion of their income tban that of other nationalities is spent on eating out.

It is also noticeable how native nationals manage to keep their spending down in their own countries compared to their foreign counterparts. *This is because* they tend to know where and how to find the best bargains on their own turf. The Japanese remain coo-tent with a much lower level of spending.

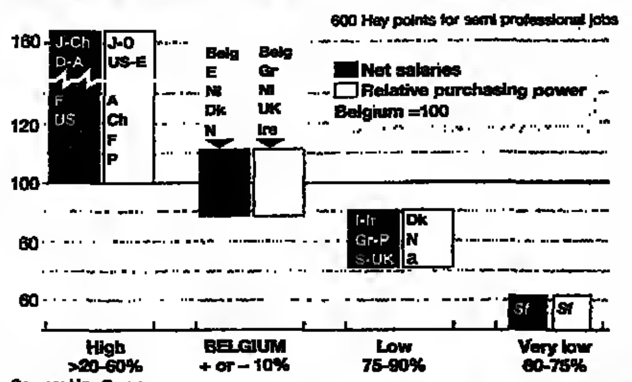
Currencies have been converted to sterling at mid-December exchange rates. For more information about the figures contact Barry Rodin, ECA,15 Britten St, London SW3 3TY. tel (0)71-351 7151, fax (0)71-351 9396.

Richard Donkin

Nationality of mid-rank *manager	Gross salary in homeland £	Hong Kong £	Singapore £	USA £	Switzerland £	West Germany £	France £	UK £	Australia £	Japan £
		Cost of keeping up home country pattern of spending on consumer goods, when in:								
Hong Kong	64,953	21,579	24,703	22,577	38,233	29,083	28,704	22,163	22,371	65,812
Singapore	60,570	22,509	18,212	19,453	33,189	26,091	25,635	20,194	19,898	50,154
American	60,567	20,061	19,352	19,654	27,085	21,878	21,515	16,871	16,195	39,865
Swiss	84,856	20,094	20,783	15,921	23,051	20,506	20,255	16,096	16,858	42,136
German	76,587	17,987	18,822	14,119	23,851	17,306	18,432	14,270	14,825	37,903
French	57,771	17,835	18,214	14,280	24,436	16,611	17,045	14,619	14,757	37,264
British	39,734	16,101	17,008	12,923	22,588	17,379	17,252	11,446	13,619	34,574
Australian	39,262	14,820	15,628	11,417	19,864	15,448	15,156	12,190	11,083	30,958
Japanese	92,420	8,956	9,403	7,977	14,270	11,236	10,719	8,949	8,731	15,488

* Responsible for function such as marketing in medium-sized company

Net salaries and relative purchasing power



Source: Hay Group

J=Japan, Ch=Switzerland, D=Germany, A=Austria, F=France, E=Spain, P=Portugal, Nl=Netherlands, Dk=Denmark, N=Norway, Gr= Greece, Ire=Ireland, I=Italy, SF=Finland.

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Getting the auditor back to the top of the hill

Expert **Roger Davis** explains why he sees 1995 as a critical year for the profession's future

What a godsend it would be if 1995 saw the end of years of sterile debate on the role of the auditor, the demise of that torrid little phrase "the expectation gap", and a sense of adventure in a profession far too long programmed into a "too difficult" response to changing expectations.

For this could be a watershed year for the profession, a year when a critical choice has to be made. The easy course would be to continue down the slippery slope to a legalistic compliance mentality. Or we could take the path back to the top of the hill, where we are looked up to with respect for our opinions, and can look down with pride.

The agenda for the profession in 1995 is formidable. First, decisions need to be made about the successor to the Cadbury Committee on corporate governance. Of the need for a robust "Son of Cadbury" there can be no doubt. History has an uncanny knack of repeating itself. Every recession catches out the reckless individuals who get away with it in the boom times. Each time the City says it must not happen again – but it does.

It would be foolish to pretend that the global markets for industry and for capital will become less aggressive. The temptation to turn a blind eye to imprudence and bad behaviour will remain. We cannot expect individual investing institutions to double as corporate regulators. Which is why the shared City interests in good behaviour need to be brought together under one shelter, just as in Cadbury Mark I. This is probably the last chance to avoid a statutory code and a Securities and Exchange Commission lookalike to monitor it. With a voluntary code of good practice, Son of Cadbury should be seen as the voluntary proxy for an *SEC*.

The only question is what the second Cadbury should do. The answer is simple: to ensure that the existing code sticks against inevitable temptation. Without that continuing focus, the risk is that companies' statements of compliance will be reduced to a few anodyne lines of lip service. What it need not, and must not, do is to start writing more rules which will shackle industry.

Which is where we come to accounting and auditing. Regulation of both will be high on the agenda in 1995.

The Accounting Standards Board has achieved much to improve comparability of accounts. But there is no absolute and the ASB is fast reaching the point at which the 80:20 rule should kick in – there is too much effort for little gain. My firm's checklist of requirements for company accounts now has well over a thousand questions. It is time to question what value they collectively add to confidence in company accounts.

The profession of accountancy, like every other, is one where experience and intellect combine to reach the right answer and where the reference book comes third. Auditing firms themselves have asked for more rules to avoid difficult judgments. I take this opportunity to say that henceforth at least Coopers & Lybrand will not do so.

We are a profession of practical people. We make rapid judgments on what is true and fair when advising on a corporate acquisition or a corporate recovery situation.

We go straight for the jugular of cash flow and its comparison with profits. I suggest this is the year to put that comparison at the top of the accounting agenda for companies, auditors and analysts, with some lateral thinking by the ASB in its review of its Financial Reporting Standard 1 – which required companies to publish their cash flow statements.

We also need lateral thinking on audit regulation. That, too, will have a high profile in 1995. The European Commission is looking at it and we can expect the domestic debate on self-regulation to surface. But we are in danger of asking the wrong questions out of context. Auditing is an integral part of the corporate governance process. A voluntary code for improving governance suggests a voluntary regime for improving audit standards. The concept of a code of good practice for auditors, and their publication of how they comply, is a logical extension of the Cadbury concept.

A current problem is that a number of bodies have common elements in their agendas. They have done good work. But it is only human that each then assumes a life of its own with a "What shall we do next" ethos rather than serious zero basing. There is much sense in the Auditing Practices Board's "Audit Agenda" and this might be developed into an auditor's code in place of the conception of more detailed standards.

The insidious creep of the dead hand of more rules runs against the grain of a global society which is deregulating. To bury the nose in the rule book is to bury it in the sand. It will bring out the worst in the profession when the time has come to bring out the best in our people.

There is no substitute for the maxim that if there is a musty smell in the room, the chances are there is something rotten under the floorboards. For too long the profession has been resisting expectations of the auditor in the prevention and disclosure of fraud. That position is not sustainable if we are to take the path back to the top of the hill. And with the new guidance for directors on internal control, the profession has a wonderful opportunity to act as the catalyst of best practice in boardroom controls.

Of course, auditor liability is the main shackle on change. I say this not as a campaigning message but as a fact. As head of audit, I continually say to my partners "Don't stick your neck out; it's too dangerous". It would be a godsend indeed if progress was made towards a fairer regime in 1995.

From words to the action: I encourage my professional colleagues to see 1995 as the year when we reassert and build on our traditional values of forthright, practical opinions. The advice I have given to my own partners is not to pussyfoot and to take the number five from the new year and to ask on a scale of 0-5:

- Is this a company to whom we want to lend our name?
- If so, what are the risks of fraud and/or business failure?
- What do we tell the client about the quality of his profits?
- And about how his controls compare with peer companies.
- And what are the five most important things he needs to put right?

As fundamental as any of the above, 1995 is the year to consider whether the profession is still turning out the right kind of accountants to take their seats in the boardroom. Senior industrialists have recently told me they are unhappy about the shortage of rounded finance directors.

The unique storeroom to boardroom insight of audit training has enormous potential for industry if we channel it in the right direction. The sterility of the debate on auditing has lead to diminishing returns. The subject is bigger and is about how chartered accountants are to continue to dine at the top table. We won't dine at all if we have become a bunch of technical drones. It is about time the professional institutions realised it.

With risk-averse governments in our and many other major economies, 1995 may well be a bland economic year. My profession can buck it by making it a year in which we become adventurous and, for once, think laterally about how we demonstrate our independence and what more we can do to prevent life-threatening ailments in our clients.

We might start by adopting our equivalent of the Hippocratic oath. I suggest: "A duty above self interest to do all that is possible within our competence to protect the client company from damage to its well being".

Roger Davis is head of audit at Coopers & Lybrand.

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MANAGEMENT

Turnaround man gets a new fix

Daniel Green meets Stuart Wallis, the chief executive charged with reorganising a troubled drugs company

Sixty-seven senior managers at Fisons, the UK pharmaceuticals, scientific instrument and distribution company, met last November for the first time in more than six years. The gathering had been called by Stuart Wallis, chief executive since September 1.

Fisons has had a miserable three years. There have been two chairmen, two finance directors, three chief executives and three profits warnings. The shares have fallen in value by 80 per cent.

Wallis opened his address by flattering the managers on their skills. Then he told them that the company for which they worked employed too many people, was too diversified and would have to be radically reorganised.

Anyone who knows 49-year-old Wallis would not have been surprised by his bluntness. A former colleague says: "He has no fear of doing the hard thing. He's tough."

He is also a man who enjoys power, is driven by financial reward and is happiest when a business needs turning around. "He wouldn't operate well in a comfortable environment," says the former colleague.

This fits with Wallis's image of himself. His record is one of running businesses in need of change and then leaving.

Until the summer of 1994, he was chairman of Bowater's packaging, one of the company's three divisions. The division's performance helped spur a rise in Bowater's market capitalisation from less than £500m in 1988 to more than £2.5bn last year.

He left Bowater before the chief executive's post became vacant to run the troubled Fisons. "I was getting bored. The job had been done," he says matter-of-factly.

Some observers see clues to what might happen at Fisons in his previous turnaround careers at Octopus Publishing, where he was head of distribution, and at Hestair, the engineering, employment agencies and consumer products company, where he was chairman of consumer products.

Hestair was eventually bought by BET, the UK services conglomerate, and Octopus Publishing was taken over by Reed International.

Wallis does not rule out a takeover of Fisons, or its break up. "The Fisons turnaround is similar to Octopus and Hestair," he says.

With more justification than many newly-crowned chief executives, Wallis is prepared to blame the misfortunes of Fisons on his predecessors. Former employees and others in the drugs industry agree that the company has had a culture problem and has suffered from under investment.

Fisons today is largely the creation of John Kerridge, who took pre-tax profits from less than £25m in 1982 to almost £250m in 1990. He resigned as chairman and chief executive in January 1992 for health reasons.

Stuart Wallis: blunt and tough leader

Under his control, senior staff say they found it difficult to deliver bad news. They resorted to bending and breaking rules to flatter the company's performance.

The culture was exposed when Fisons admitted in 1993 that it had indulged in improper sales practices, including the bribing of doctors and "trade loading" in which drugs stocks were sold at a discount to distributors before the financial year-end to raise that year's sales figures.

The under-investment caught up with the company in 1991 when the US Food and Drug Administration stopped the sale of two Fisons products after inspecting the company's manufacturing sites. Among its discoveries was Fisons' use of beer kegs to store pharmaceuticals.

Altering management attitudes is now one of Wallis's biggest challenges. Indeed, the gathering of the 67 managers in November was partly about "getting them to feel able to talk". But the meeting was also "to get them ready for a period of rapid change", says Wallis.

His homework for the meeting was two months' visiting 60 Fisons sites around the world. The good news was that he found "strong management and a powerful pharmaceuticals sales and marketing team".

The bad news was that:

- The company did not have enough of its own products for the sales teams – it has only two drugs of world standing;
- Administration costs were too high with, for example, six separate headquarters sites in the UK. Wallis has already said that those functions will be "condensed";
- Balance sheet controls were "frankly appalling" with working capital too high, too many underperforming assets and not enough cash flow.

Wallis also identified specific problems within the three divisions. In the drugs division, for example - ranked 61st in the world - he believes capital and research spending are too high for a business with £500m a year in sales.

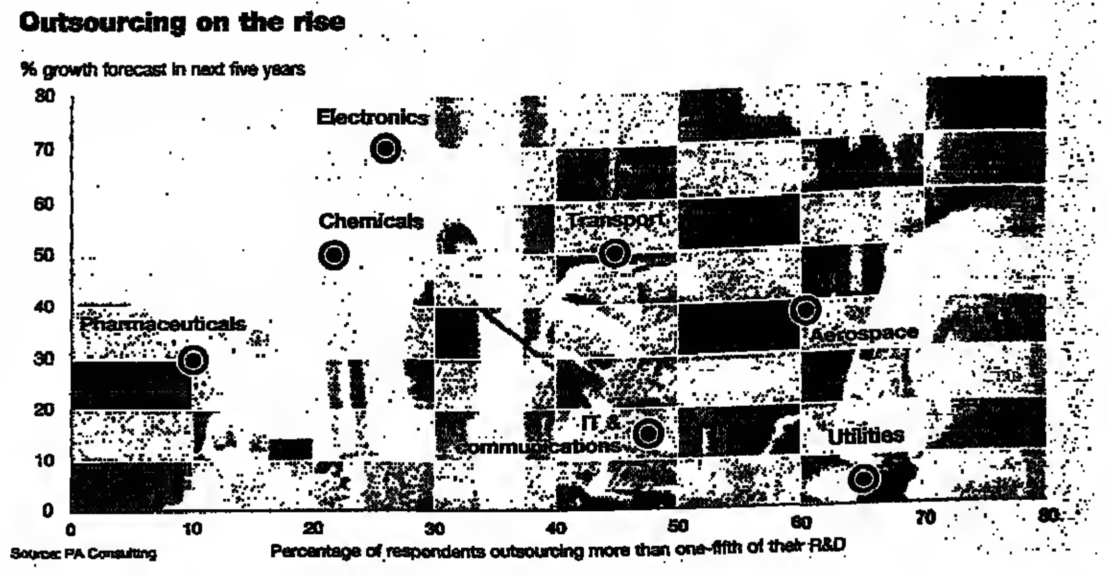
He sees the solution as licensing products from other companies.

In the instruments division – which is the world number six – he blames a high cost base for the losses of the last couple of years.

The third problem area is the distribution division, which has a US business with annual sales worth $750m (£481m) and 35 per cent of the US market for clinical laboratory distribution. "There is not much more growth in distribution," says Wallis. "The choice is further investment or an alliance on the industrial side."

Ultimately, Wallis is open to offers. "It's likely that Fisons can't do justice to all three divisions. We will concentrate even if it means selling some very good businesses."

Outsourcing on the rise



Source: PA Consulting

Revolution in outsourcing

As costs continue to rise more companies are using external sources for R&D work, says Vanessa Houlder

As the pace, cost and complexity of technological change becomes ever more daunting, companies are rethinking the way in which they manage their research and development activities.

Increasingly, businesses are relying on external sources for R&D in an attempt to reduce costs and keep abreast of a widening range of relevant technologies.

"There is much more of a willingness between companies to share and collaborate," says John Brophy, general manager, corporate research at BP Chemicals. Terry Lemmon, technical director of Courtaulds, agrees. "More people are prepared to take greater risks in sharing things with outsiders."

This trend has seized the imagination of consultants, who have created a new buzz-phrase – "virtual R&D" – to describe the extreme case where a company is completely reliant on external R&D.

Although the truly virtual R&D organisation does not yet exist, "there is undoubtedly a global trend in that direction", says Steve Bone of PA Consulting. The OECD Basic Science and Technology statistics show that the ratio of external to internal funding has been increasing by 2 to 3 per cent a year for the past four years.

This phenomenon is part of a wider movement towards outsourcing activities which fall outside a company's core business. But unlike canteens, cleaning and even computing, R&D often has a critical bearing on a company's future. Inevitably, the decision to rely on external sources raises important management and strategic issues.

Technical managers must shed a "not invented here" mentality and become aware of technological developments and their relevance throughout the world and across a range of fields. They must also learn to build trust, negotiate and manage beyond their organisation. And they must ensure that proprietary technology does not leak out and intellectual property rights are preserved.

Outsourcing R&D also raises important strategic questions. Companies that fail to develop technology on their own behalf risk missing out on important profits streams. For example, the US electrical goods manufacturers which relied on external suppliers for semiconductor technology rapidly lost ground over the last two decades to their Japanese rivals which developed semiconductor technology in house.

In general, however, Japanese companies are more enthusiastic about contracting out R&D than their overseas counterparts. A survey conducted by PA Consulting and the Massachusetts Institute of Technology suggested that Japanese businesses would increase their percentage reliance on external technology from 40 per cent to 60 per cent between 1993 and 1996.

The equivalent figures for the US was an increase from about 12 per cent to 35 per cent; European businesses projected a rise of a few points to 24 per cent.

These figures show that outsourcing R&D is not new. Companies have long contracted out R&D work to cope with peak workloads. But the rationale underpinning outsourcing is changing. "A lot of companies now take a much more strategic view and they don't just do it for overload purposes," says Paul Auton, managing director of Cambridge Consultants and president of the Association of Independent Research and Technology Organisations.

The appetite for external R&D is being met by suppliers, consultancies, partnerships and consortia. New players are emerging, including government research laboratories earmarked for privatisation such as AEA Technology, the commercial arm of UK Atomic Energy.

UK universities, which received £122m from industry in 1992-93, also play an increasingly important role. "There is a changing culture in universities where they are looking at collaborations with business," says Paul Lester, chief executive of Graseby, an instrument supplier.

Another source of external research work are commercial laboratories that are opening their doors to business from other companies. When Thorn EMI disposed of most of its high-technology businesses, its Central Research Laboratories turned to external customers, which now account for 95 per cent of its business.

CRL's experience suggests that research work may be easier to manage when it is carried out by an outside organisation, according to John White, its managing director. He says that staff displayed "a different attitude" and "a greater pride in completing work on time", as CRL made the transition from an in-house lab to commercial concern.

Conversely, some businesses believe they can get more out of in-house researchers and engineers. "By sub-contracting out you don't have the same control and the same motivation of the team," says Paul Lester, chief executive of Graseby, international instrument supplier.

This reluctance to go outside the organisation for core skills is mirrored by a reluctance to outsource "critical" technology, which differentiates a company's products and services. "We make money by controlling those critical technologies. It is our competitive advantage," says Brophy.

The degree to which a company insists on retaining control over its core technology depends largely on its industry, says Bone. The chemicals and pharmaceuticals industries have not moved far on the road towards virtual R&D because many of their critical technologies are associated with processes, which are hard to outsource.

By contrast, the computing industry is enthusiastic about outsourcing and creating alliances. This is because few companies can cope with the spiralling costs of keeping up with a large number of different technologies.

However, even industries which want to retain control over critical technologies are starting to contemplate outsourcing basic technologies and those which could shape the business in the future. "Everybody is looking to outsource low value-added activities," says Brophy.

Meanwhile, companies such as BP are looking to outsiders to research speculative ideas which could prove influential. "It is about not trying to invent everything," says Brophy. "Ninety per cent of what you do, someone out there can do better".

TECHNOLOGY

Thinking person's chair

Ever considered moving a wheelchair by simply thinking about it? Scientists at Tübingen University in south western Germany are examining a technology called biofeedback, designed to give patients greater control over the energy flows within their brains. Such additional control, the scientists hope, will enable people to steer wheelchairs and change television programmes.

Niels Birbaumer, professor in charge of the Institute for Medical Psychology, has attached electrodes to the heads of patients and used them to measure the movements of energy inside the brain. Patients are sat down in front of an overhead screen which shows a model of their brain and are able to watch a little rocket moving around the screen, representing the brain'a energy flows.

Watching their grey matter at work and rehearsing the thought movements involved to perform a given function will, it is hoped, ultimately give people better control over their brains.

"It's a question of being able to harness identifiable brain signals [via the electrodes]," said Werner Lutzenberger, another scientist at Tübingen. "Having harnessed the energy it could be used to steer all sorts of things."

The research is at a very early stage and staff at Tübingen cannot say when the first brain-powered wheelchair will be operational.

"The brain is never still. What we have to avoid at all costs is a situation where a person is actually thinking and this sets the wheelchair off," Lutzenberger said. "Since this method is going to be used to steer things it has to be extremely reliable."

Work on the biofeedback method goes back 20 years and has been used with some success to treat back pain. Given the greater control it is designed to give over brain functions, it is well suited to treat patients who suffer from epilepsy and other disorders caused by temporary loss or control of the brain.

Michael Lindemann

The US debate on embryo research is heating up as a panel decides its future, writes **Marjorie Shaffer**

A moral dilemma

President Bill Clinton went some way last month to ease the furious debate over embryo research in the US, by ruling out the use of federal funds to support "the creation of human embryos for research purposes".

But his statement, which followed recommendations from two advisory panels, did not rule out research on embryos left over from treatments such as in-vitro fertilisation.

It failed to appease the most ardent opponents and anti-abortionists, who have pledged to continue their campaign against any kind of embryo research funding.

The National Institutes of Health, the government agency for biomedical research, is due to announce soon whether research on human embryos, banned for tha past 15 years, can take place.

The anti-abortionists argue that life begins at conception. They compara research on embryos with "killing little boys and little girls", and have vowed to fight in the halls of Congress any attempts by the NIH to use taxpayers' money to fund such work.

Unlike several European nations, including the UK, the US has no national guidelines on human embryo research. The ban on federal funding for the research was maintained chiefly because of the anti-abortion sentiments of the Reagan and Bush administrations. The issue was reopened by the Clinton administration, which last year charged the NIH with the task of producing guidelines after examining the broader moral and ethical framework within which research might take place.

Scientists argue that research on human embryos will bring medical advances in preventing cancer and genetic birth defects, as well as leading to more effective treatments for infertility, and the development of new contraceptives.

"I think that developments in our ability to control and prevent disease that will come as a result of this research will dwarf the changes brought about by the computer in the next 20 to 50 years," says David Adamson, a fertility expert in San Jose, California, and chairman of a research committee of the Society for Assisted Reproductive Technology.

"That does not mean that I think this research should be done carelessly. We have very powerful tools, and guidelines should he in place for this type of work."

At the centre of the debate is the so-called pre-implantation embryo – a small clump of cells – that will be the object of research. Advocates say that research would not be permitted on embryos more than 14 days old, a time when the first signs of a primitive nervons system appear. This is a basic principle followed by the profession; embryos rarely survive beyond seven days in the laboratory.

Gary Cameron

President Clinton: his statement helped to ease fury in the embryo research debate

"At this stage, the embryo lacks even the possibility of sentience, it has no differentiated tissues, organ systems, or bodily form and it can't experience pain," says Ronald Green, director of the Ethics Institute at Dartmouth College, Hanover, New Hampshire, who was one of the 19-member panel of experts convened by the NIH to develop guidelines and to consider the ethical questions.

The panel has been the target of protest by anti-abortion groups, and Green says he has received more than 100 letters and postcards denouncing the research.

In late September, the panel recommended that the NIH fund embryo research, subject to guidelines. After a series of public meetings last year, and receiving thousands of letters on the subject, the panel concluded that tbe embryo "does not have the same moral status as infants and children". The recommendations have been sent to Harold Varmus, director of the NIH, who will make the final decision on whether to implement them.

The panel recommends that researcb be permitted on embryos less than 14 days old, but it seeks to prohibit the most controversial experiments, such as the cloning of human embryos, the transfer of human embryos into animals and the creation of human-animal chimeras.

The panel's report says that many areas of medicine will benefit from research on human embryoa, including so-called pre-implantation genetic diagnosis, an experimental tschnique in which jost one cell from a developing embryo is removed for analysis to determine whethar the embryo carriss a severe genetic disease such as muscular dystrophy or cystic fibrosis.

The panel points out that once researcb on embryos is allowed to proceed, the profession will be able to move to clinical trials of the technique's safety and efficacy. The diagnosis would be made on an embryo fertilised in a test-tube or "in-vitro", allowing couples to decide whether the embryo should be implanted in the woman's uterus. The panel stresses the technique should not be used to determine sex.

On tha creation of human embryos solely for research, the report says that this should take place only for the "most serious and compelling reasons". Examples of studies that might he allowed include an evaluation of whether freezing eggs damages chromosomes.

The report goes on to say that no one would be paid for donating their eggs or sperm, and thet all donors would have to give their consent. Obtaining eggs from cadavers and aborted foetuses would be unacceptahle, it says.

In his statement on creating embryos, which followed the NIH recommendations, Clinton said the issue "raises profound ethical and moral questions". However, the statemeot did not specifically rule out the use of embryos already created at fertility clinics.

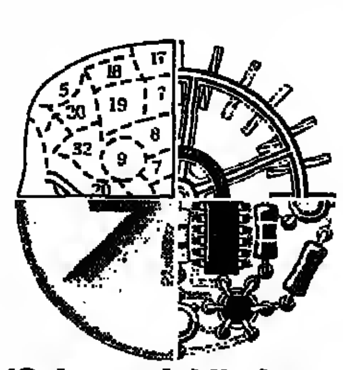
An NIH official said the directive wonld "just restrict the supply source, and it wouldn't have a big impact because there are plenty of surplus ambryos available".

However, some researchers say that prohibiting the fertilisation of eggs for research could have a substantial impact, especially on the development of new contraceptives and on developing methods for eggs to mature in laboratory disbes.

Brigid Hogan, a biologist at Vanderbilt University, Nashville, says that in the UK, for example, "about ooe-third of embryo research projects that are funded involve egg maturation and fertilisation". If similar assumptions are made abont the direction of research in the US, this would mean that "about one-third of possible projects would not be able to go forward".

Hogan, who co-chaired the government's first embryo research panel, believes that the review of research funding will guarantee that only the best research will receive funding. It would also allow collaboration between research scientists in the funded sector and clinicians in the private sector.

Worth Watching · Vanessa Houlder



'Cybernetic' limbs take control

An EU-funded consortium has completed the first stage of a project which might lead to the direct control of artificial limbs by the human nervous system.

The goal of the INTER project is to develop a neural connector implant in which a regenerating nerve passes through holes in a silicon device designed to record signals from sensory axons and stimulate motor axons.

The INTER consortium of research institutes, which is funded by the Information Technologies Programme of the EU, has shown that nerves can regenerate within the connector.

It believes that its early results hold out the hope of "cybernetic" limbs for amputees, which are close to being natural extensions of the body. The technology could also have applications in neurophysiology and reconstructive surgery, it says.

EU: Belgium: tel. 32 22969577; fax. 32 22968390.

A better fit for artificial hips

Artificial hip joints usually need to be replaced after a number of years, because the implant has worn loose.

Researchers at AEA Technology at Harwell, and Corin Medical, a Cirencester-based medical company, believe that advances in carbon fibre made in the aerospace industry could be used to make longer-lasting implants.

The attraction of carbon fibre is that, although strong, it is less stiff than the metals used for implants. As a result, the bone carries more of the body's load, which makes it less likely to shrink away from the implant.

The main disadvantage of using carbon fibre for prosthetic joints has beeo its cost. Bnt AEA Harwell believes that a computerised method of winding filaments of carbon fibre, bound by epoxy resin, will prodnce cost-effective implants that match the natural elasticity of the bone.

AEA Technology: UK. tel 01235 436581; fax 01235 436656.

Refuse plant runs on fuzzy logic

A refuse incineration plant in Germany has introdnced a fuzzy logic control system whicb is capable of substantially reducing its fuel consumption.

Siemens Power Generation Gronp built the system by using its operating staff's expertise to compile a set of "if-then" rules governing the plant's process seqnence. The advantage of using fuzzy logic is that instead of relying on a binary logic system, it can handle imprecise data.

The system allows the plant to operate more smoothly than was possible using manual controls, which reduces power fluctuations and makes it easier to comply with pollntion control codes.

Siemens: UK, tel 01344 396396; fax 0344 396326.

New player in flat panel displays

The latest entrant in the race to develop large, commercially-viable flat panel displays is a colour plasma display measuring 21 inches in diagonal, recently launched by Fujitsu Microelectronics.

The display offers greater brightoess, higher resolntion and less bulk than cathode ray tubes, although the cost – about £5,000 per screen – is likely to restrict its use.

Fujitsu Microelectronics: Germany, tel 010 4961036900; fax 010 49 6103690276.

Science in the millennium

A proposal for a £50m National Science Centre to promote understanding of science, engineering and technology has been submitted to the Millennium Commission, whicb is seeking projects to celebrate the end of the millennium.

The proposed centre, which inclndes exhibits, a planetarium and a conference ball, would be sited at Farnborough Airfield in Hampsbire.

National Science Centre: UK, tel 081 688 7788; fax 081 681 1672.

PROPERTY

Crystal ball gazing

Investors are cautiously optimistic, says **Simon London**

In the continued absence of a property futures market, *The Property Column* decided to devote its first edition of the new year entirely to speculation.

Speculation of the best kind, though, since we invited some of the property market's best-positioned observers to share their expectations for 1995.

While there is a healthy range of views, the overall impression is one of cautious optimism. Investors are expecting a decent real return from property investment this year and a healthy amount of development activity to add spice to the market mix.

Mr James Tuckey, chief executive of MEPC, the second largest quoted property company, said: "We are still on the npswing and in the very early stages of recovery despite the dull market of the past six months. In 1995 we will start to see rental growth and that will allow the market to move forward again."

Mr Tuckey forecast a total return from property for the year of about 12 per cent, with yields unchanged at around 8 per cent and capital values rising to reflect higher rents.

This view is supported by Mr Ian Reid of Barclays de Zoete Wedd Investment Management: "The market will have a slow start to the year and pick up from the spring. A total return of 12-15 per cent should be possible. This will beat the performance of both equities and gilts."

Mr Reid's view is based on the assumption that long gilt yields remain at about 8.5 per cent and property yields fall slightly as rents start to rise.

"We will start to see the much-trumpeted disengagement of property from the bond market," he predicted.

However, not all investors are brimming with confidence. Prudential Portfolio Managers is taking a more cautious view. Mr Nick Thompson, property investment manager, said: "The outlook is not as good as going into 1994. It will be a dull year with the total return from property coming in below that for equities. Rental growth will take longer to appear than many people are expecting."

The Pru is forecasting a total return from property for the year of 7-8 per cent. It expects offices to perform best, with retail lagging behind. This is contrary to the view of many institutions which chased down yields on retail properties during 1994.

With inflation running at 2-3 per cent, thongh, investors would still see an attractive real return even if the Pru's view of the outlook proves to be correct.

"Any fund which could generate a real return of 5 per cent a year would be very successful," said Mr Thompson. "The performance of property in 1995 should be more than enough to justify its place in mixed-asset portfolios."

One area of consensus is that property developers will gradually become more active as the year wears on. With banks still wary of financing development schemes, though, scarcity of funding will act as a brake on the development cycle.

"There will be more cranes on the skyline by the end of 1995, but I don't see any headlong rush into development," commented Mr Tuckey. "Developers will be restrained by the providers of finance."

This view is echoed hy the Prudential. "There will be some speculative development in 1995 but very modest amount compared with the late 1980s," said Mr Thompson. "We expect to do a little speculative development ourselves. However, most funds will concentrate on opportunities within their own portfolios rather than buying into developments".

'We will start to see the disengagement of property from the bond market'

There is also a widespread view that central London offers better development prospects than most regional centres. After three years of development drought, there is a shortage of new office space in the West End and City of London.

Mr Garry Hart, partner at Herbert Smith, the solicitors, and veteran of the development scene, pointed to two City schemes which should generate interest over the next 12 months.

"Paternoster Square [next to St Paul's Cathedral] should get off the ground in 1995. Looking at the amount of space available in the City there won't be a better time to start work than over the next year," he said.

"Depending on what bappens to St Bartholomew's Hospital, attention could also return to Smithfield. If the hospital closes the area will be ripe for redevelopment."

With property prices rising and development activity accelerating, the outlook for property shares should he brighter than in 1994.

Things could hardly get worse. In 1994, property shares were one of the worst performing sectors of the stock market, falling by 21.5 per cent. (The worst performing sector was building and construction with a fall of 24.9.)

Mr Tuckey of MEPC predicted hetter fortunes this year: "The discount to net assets [at which property shares trade] will start to narrow as investors become accustomed to a low inflation environment. Even if property values do not rise as we expect, property shares should have a much happier year."

But this view is not shared hy many stockhrokers. Mr John Atkins, property analyst at UBS, the investment bank, is taking a more gloomy view.

Mr Atkins predicted that the average property company will see net assets rise by a healthy 8.4 per cent in 1995. However, he argued that the discount to net assets will actually widen, from 16 per cent now to 25 per cent by the year end.

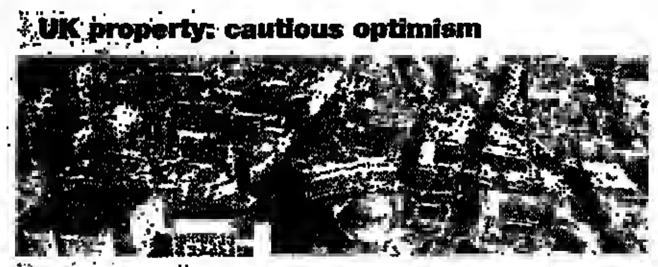
The overall effect is that property share prices will fall. Since UBS expects the wider stock market to rise by nearly 10 per cent, the property sector will under-perform by a painful 12-13 per cent in 1995.

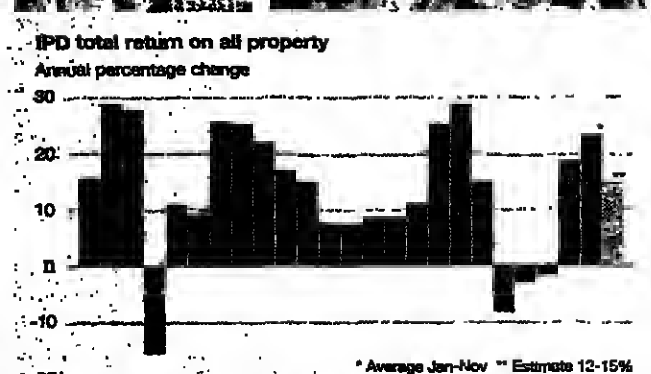
"Over the past 15 years the average discount to net asset is 23 per ceot," Mr Atkins said. "With so much over-rented property around there are strong reasons to believe that the current discount is unsustainable."

Sucb a wide variety of views is, of course, what makes the stock market and the property market tick. A consensus would generate little trading.

Besides, this time last year few observers predicted that long gilt yields would rise from 6.5 per cent to 8.5 per ceot in the space of four months. Unpredictable events make, as well as break, the market.

UK property: cautious optimism





Source: Datastream

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 06.01.95 Pool purchase price £/MWh	Final Prices for Trading on 10.12.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	28.51	10.03	10.03
0100	28.51	27.90	30.06
0130	33.11	27.90	30.06
0200	33.11	27.90	30.06
0230	28.51	19.31	21.47
0300	29.51	16.00	18.18
0330	29.51	9.69	11.85
0400	23.51	9.29	9.29
0430	23.51	9.29	9.29
0500	23.51	9.14	9.14
0530	28.61	9.09	9.09
0600	28.61	9.09	9.09
0630	28.61	9.09	9.09
0700	30.08	30.10	32.25
0730	30.79	33.15	35.32
0800	32.43	36.99	39.18
0830	44.30	37.06	39.28
0900	46.14	37.18	39.41
0930	53.40	37.19	39.44
1000	80.57	37.19	39.43
1030	80.24	37.12	39.36
1100	52.90	37.07	39.29
1130	46.83	37.06	39.27
1200	77.85	37.05	39.28
1230	76.69	37.00	39.20
1300	44.10	34.16	36.34
1330	32.30	33.16	35.33
1400	31.93	32.72	34.69
1430	31.78	31.25	33.42
1500	31.75	31.25	33.41
1530	31.87	31.28	33.45
1600	37.03	34.71	38.19
1630	107.60	68.29	79.25
1700	173.79	113.01	130.44
1730	233.16	136.66	154.10
1800	197.92	116.92	130.40
1830	103.04	67.77	75.43
1900	65.61	48.79	52.61
1930	49.48	40.92	43.49
2000	31.92	36.26	38.48
2030	30.12	33.85	36.02
2100	30.06	33.84	35.99
2130	29.73	32.73	34.86
2200	30.05	29.94	32.10
2230	34.79	29.46	31.62
2300	10.17	29.94	32.10
2330	10.05	9.29	9.29
2400	9.02	9.06	9.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.85/MWh becomes 1.685p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are and capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5.15pm Monday to Friday.
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BUSINESSES FOR SALE

LEGAL NOTICES

No. 006439 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
LINCOLN NATIONAL (UK) PLC
-and-
IN THE MATTER OF
THE COMPANIES ACTS 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 7th December 1994 confirming the reduction of the Share Premium Account of the above named Company from £34,862,000 to £65,105,000 was registered by the Registrar of Companies on 31st December 1994.

DATED the 6th day of January 1995

The Brough Skerrett Law Partnership
One Dyers Buildings
London
EC1N 2SX

Solicitors for the above-named Company

No. 006438 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CANNON LINCOLN INSURANCE SERVICES LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACTS 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 7th December 1994 confirming the reduction of the capital of the above named Company from £80,000,000 to £29,300,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 31st December 1994.

DATED the 6th day of January 1995

The Brough Skerrett Law Partnership
One Dyers Buildings
London EC1N 2SX
Solicitors for the above-named Company

PRIME STRATEGY CONSULTANTS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at Hillgate House, 26 Old Bailey, London EC4M 7PL on 13 January 1995 at 3:00pm for the purposes mentioned in sections 99 to 101 of the said Act.
A list of the names and addresses of the company's creditors may be inspected free of charge between 10:00 am and 5:00 pm at Hillgate House, 26 Old Bailey, London EC4M 7PL on 11 and 12 January 1995.

DATED - 28 December 1994

By order of the Board
R J Niven
Director

PEOPLE

The Grosvenor Alliance

The Duke of Westminster, 44, has picked up his first non-executive directorship of an FT-SE 100 company and the Sun Alliance has added another trophy name to its list of directors – which includes a couple of knights, a peer, and the chairman of the London Stock Exchange.

The Duke (right), as chairman of the family's Grosvenor Estate Holdings, owns large chunks of Mayfair and Belgravia and until the collapse in the property market, tended to be labelled as Britain's richest man.

While his fortune has shrunk from £3.7bn to £1.5bn over the past three years (according to Sunday Times' estimates), he remains Britain's wealthiest landowner and has growing overseas interests in North America and Australia.

Gerald Cavendish Grosvenor, who lives in Cheshire, left Harrow with two O levels and an ambition to be a professional soldier. However, his father fell ill and he went into the family property business. Until now his outside interests have been mainly concentrated on the Territorial Army and the 80-plus charities of which he is patron. He was actively involved in Manchester's failed bid for the Olympics and is a director of a local radio station.

Sun Alliance, whose chairman Sir Christopher Benson used to run the MEPC property group, says that the Duke has been recruited for his property expertise. However, it has not gone unnoticed that the Duke of Westminster's Grosvenor Estate is one of Sun Alliance's more important customers.
William Hall

Other non-execs

■ Simon Keswick, chairman of Hongkong Land and Trafalgar House, at WELLCOME.
■ Jonathan Taylor, chairman of Booker and Ellis & Everard, at EQUITABLE LIFE ASSURANCE SOCIETY.
■ John MacGregor MP and Sir Roland Smith at ASSOCIATED BRITISH FOODS.
■ John Baker, chief executive of National Power, at ROYAL INSURANCE.
■ Sir Geoffrey Whalen, former md of Peugeot Talbot, at LOMBARD NORTH CENTRAL.
■ Sir Philip Harris and Lord Plumb have retired from FISONS.
■ William Peek, a director of SHV Energy, at CALOR GROUP; Arie Rijnvis has resigned.
■ Albert Waxman at JOHN FOSTER & SON.
■ James McMillan, chairman of the Scottish Biomedical Association and former md of Deeside Packaging (Stonehaven), at RESIN EXPRESS.
■ John Robinson is to retire from CRT once a new chairman is appointed; Sir Douglas Hague will retire at the end of April.
■ Richard Jewson, chairman of Ideal Hardware, at The MILLER Insurance Group.

Finance moves

The Bank of England has recruited Philip Turnbull, a senior statistician from the Central Statistical Office, to head its monetary and financial statistics department.

Turnbull, who is currently head of the recently expanded Balance of Payments department at the CSO, will now oversee the Bank's statistics in both macro-economic policy and banking supervision.

Turnbull, 47, says he intends to use his promotion to build closer links between the Bank and CSO. Although he has little formal experience in banking supervision, he points out that a previous two-year stint as a government statistician in the Cayman Islands should provide some grounding for the job.

Meanwhile, one of his first tasks will be to create greater harmony between the British system for collecting balance of payments data and the practices used in continental Europe.

Turnbull takes up his new post at the beginning of March. He replaces Peter Bull, who has become head of statistics at the European Monetary Institute. *Gillian Tett*

■ John Williamson, formerly director of NatWest Investment Services, has been appointed coo of Wheelock NATWEST, the joint venture being set up between NatWest and Wheelock and Company of Hong Kong.
■ Dennis Exton has been appointed telecommunications and media analyst, and Robert Kerr pan-European equity strategist, at NIKKO EUROPE; they move from Merrill Lynch Europe and Credit Lyonnais Laing, respectively.
■ Robin Swift, formerly head of Deutsche Bank's treasury operations in London, has been appointed md of CATER Premium Treasury Management.
■ Richard Jeffrey, head of research for Charterhouse Tilney Securities, is also appointed CHARTERHOUSE group economist, a position which has been vacant since the bank's ownership changed in 1993.

Changing shifts in Co Durham

Yoshiyuki Namiki is to become managing director in mid-1995 of Fujitsu Microelectronics' semiconductor manufacturing plant at Newton Aycliffe, Co Durham, succeeding Shiro Fujimoto who will return to Japan.

Namiki has worked with the Japanese-owned Fujitsu Group of companies since 1965 and has been involved in various aspects of semiconductor process engineering and manufacturing. He is currently general manager of the technical standards division.

Investment at the Durham plant, Fujitsu's only European semiconductor manufacturing operation, has now exceeded £300m; annual turnover is more than £140m. Opened in 1991, it employs more than 500 people. Fujimoto, who has worked for Fujitsu throughout his career, led the team which in 1988/89 selected the Aycliffe site for the project, and has been based in the region since then. *Chris Tighe*

Insurance moves

Peter Wilby has resigned from the board of Sturge Holdings, which includes several Lloyd's agencies. Wilby says he had decided some time ago to leave in 1995, but the timing of his departure was set so that he could go before Sturge implemented plans for a sweeping restructuring, including a new holding company.

Wilby, 47, was chairman of the motor agency but also had responsibilities for responding to litigation from lossmaking Lloyd's Names. He said yesterday that he has agreed attractive terms with Sturge and has some ideas for new ventures, "with a view to retiring at 55 with a decent bank balance".
Ralph Atkins

■ Philip Fowles has been promoted to sales and marketing director of BRISTOL CONTRIBUTORY WELFARE ASSOCIATION.
■ Michael Langton has been appointed to take overall responsibility for the Midlands and north west regions of JARDINE Insurance Brokers. Christopher Caine becomes md for the north west, Keith Burnham md of broking and technical, and David Carlile national new business director; all move from Hogg Insurance Brokers.
■ Roger de la Salle, formerly md of Robins Middle East, has been appointed md of ROBINS London International.
■ Barry Shearlock, chairman of Lautro and deputy chairman of the Universities Superannuation Scheme, has been appointed to the board of management of the MEDICAL DEFENCE UNION.
■ Brian Wood, formerly director of management services at Scottish Equitable, has been appointed md of PPP LIFETIME.
■ Len Campbell, chairman of the Institute of London Underwriters, has been appointed chairman of the LONDON PROCESSING CENTRE.
■ Brandon Sweitzer, executive vice-president of Guy Carpenter & Company Inc, has been appointed chairman of Carpenter Bowring, part of GUY CARPENTER, on the retirement of Charles Cullum. Anthony McCallum, an md of Guy Carpenter, becomes ceo, and Geoffrey Bromley, also an md of Guy Carpenter, is appointed deputy chairman.
■ James Craven has been appointed a director of SBJ Marine & Energy.

BUSINESSES FOR SALE

LEGAL NOTICES

COMPANY NUMBER 02713654
WALKER CHATWIN TOOLS LIMITED
COMPANY NUMBER 00795139
GEORGE WALKER & SONS (BIRMINGHAM) LIMITED
BOTH REGISTERED IN ENGLAND

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named companies will be held at Coopers & Lybrand, 43 Temple Row, Birmingham, B2 5JT on Monday 16 January 1995 at 10.30 am for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ("the creditors committee") to exercise the functions conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor with the offices of the Joint Administrative Receivers 43, Temple Row, Birmingham B2 5JT no later than 12 noon on Friday 13 January 1995.
Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.
David J Stokes
for the Joint Administrative Receivers
Date 22 December 1994

The High Court of Justice No: 007245 of 1994
Chancery Division

IN THE MATTER OF
BALTIC TRUST PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 14th December, 1994 confirming the reduction of the capital of the above named Company from £7,300,000 to £549,930 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 17th December, 1994.
Dated the 6th day of January 1995.
Nabarro Nathanson
50 Stratton Street
London W1X 5FL
Tel: 071-493-9933
Ref: [illegible]
Solicitors for the Petitioning Company

IN THE MATTER OF
CORROLESS MIDDLE EAST LIMITED
AND
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 6th day of February 1995 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Anthony Haji Rousou, FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 6th day of January 1995
A Haji Rousou
Liquidator

IN THE MATTER OF
ETANA AVIATION LIMITED
and
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 6th day of February 1995 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Costas L Mavrocordatos, ACA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 6th day of January 1995
Costas L Mavrocordatos
Liquidator

ARTS

"The benches" (from the "Coney Island Suite"): 1992 soft ground etching and aquatint by Bill Jacklin from Marlborough Graphics

Dealers' spirits begin to lift

Antony Thorncroft on two contrasting arts fairs that are taking place in London this month

Antique dealers know how to cheer themselves up in January – they buy into a fair. There is just the chance they might meet a new customer, or spot an overlooked bargain on a rival's stand. After four years of slack business they hate the idea of starting another year stuck in their lnnely shops.

This week two contrasting fairs opened in London and remain open for business until Sunday evening. At the Dorchester some of the better provincial dealers, with a few London galleries, have laid out 50 stalls offering decorative antiques to the keen domestic collector.

Here are the gleaming objects that in the good old days lapped up the annual bonuses of the Names of Lloyd's of London – ceramics, jewellery, barometers, mirrors, games tables, tea caddies; objets d'art that prettify bomes. The paintings tend to be happy oils of dogs and young beauties: the furniture is polished to military standard. Prices are generally below £10,000.

Less than a mile away at the Royal Academy is a very different fair. The London Original Print Fair is for those who think prints are comparable to paintings as works of art. The 24 dealers take the subject seriously and although there are prints for less than £100 for buyers with a good eye, there are also some costly examples.

The most expensive print is on the stand of a new exhibitor, Susan Sheehan of New York. Sheehan is offering "Ale Cans" by Jasper Johns, one of an edition of 31, for $95,000. A print from the same set in comparable condition sold at auction for $308,000 in the late 1980s. But that was before the collapse in prices for contemporary prints.

Sheehan believes that a selective recovery in demand is under way. Prices for the Big Three Americans – Warhol, Johns and Lichtenstein – have risen by 30 per cent in recent months. Other major artists lag behind – she has prints by Ellsworth Kelly, produced in Paris in the 1960s, for under $5,000.

Contemporary prints seem to dominate the fair. The most significant recent development in the field has been the move of Alan Cristea, formerly of Waddingtons, to set up on his own in Cork Street, dealing in the artists he represented at his old gallery. He has on display new works, unseen in the UK, by Hockney, priced at £15,000 each, and Lichtenstein, for under £10,000.

Old Master dealers *are present* and at the special opening for museum curators on Wednesday they made some impressive sales: even when private collectors sit on their cheque books the museums support the market. Paul McCarran of New York sold an important engraving, one of only four known, by Andreas Andreani, of one of the now badly damaged panels from Mantegna's famous series "The Triumpb of Ceasar" for £35,000, and three impressions of "The Wrestler" by Coornhert were all snapped up by museums.

As usual Andrew Edmunds is selling caricatures by Gilray, Rowlandson and the like and found customers at the opening party, as did Gordon Cooke, who deals in the modern British, such as Sickert and Sutherland, and who sold a portrait of Jacob Epstein by Francis Dodd to the Museum of Rotterdam for £3,000. Flowers Graphics, Marlborough, Austin Desmond are among the many dealers trading the contemporary British – Heron, Frost, Piper, Howson, Hicks, Auerbach, Rego and more.

Anyone wbose ideas about prints stop at Athena will have the scales falling from their eyes at the RA. Fanciers of quality prints have something of the dedication and fastidiousness of the antiquarian book trade. This is a serious business.

It is possible that the antiques world is in for a much better year. The *Olympia* Fair in November was busy and tbe major auctions at Sotheby's and Christie's in December went amazingly well. There is a happy belief that when Lord Cholmondeley sells a pair of Boulle marriage chests for £1.54m, way above forecast, the trickle down effect reaches as far as the Portobello Road.

Certainly there was a briskness at the Dorchester and the RA which gives encouragement for the other fairs piling up this month: the West London at Kensington next week; the Decorative Antiqnes at Kings College, Chelsea, from January 18, and LAPADA at the NEC in Birmingham, which opens on the same day.

The two specialist fairs whicb have become popular fixtures – the Art 95 fair at the Business Design Centre in Islington, also from January 18, and World of Drawings and Watercolours – take place at the Park Lane Hotel from January 25.

These are major events. Art 95 is the biggest showcase of the contemporary in London, a city which still has doubts about the avant-garde, and is a beguiling mish mash of the intriguing and truly terrible, while tbe watercolours fair always brings to London the old-fashioned country collector for whom a good watercolour, from the 18th century to the modern, is the epitome of art. If tbese fairs go well the antiques trade will convince itself that the corner has at last been turned.

Opera/**David Murray**

Cinders turns to panto

Music Theatre London's speciality is cut-rate opera: "modernised", stripped of sung recitatives, orchestra reduced to a tiny ensemble, secondary roles assigned to actors who can sing a little. *Figaro*, *Così* and *Traviata* have all had tbe treatment, to widespread acclaim. Now we get their version of Rossini's *Cinderella*, reaching the South Bank two years after its popular success at the Vienna Festival.

It is designed as a kind of upmarket pantomime – upmarket because of the high-class Rossini score, "pantomime" in the strict British sense. A soprano is cast as *the Prince, and the mean stepsisters* are drag acts. The dialogue is translated into low Essex, which is supposed to be a joke in itself; there are few enough others. Simon Higlett has supplied bright, clever designs (including a *nouveau riche* swimming-pool for Don Magnifico's manor) which give the production a larger dimension than the cast alone could achieve.

A lot of the audience present for the press night enjoyed it, I think. It would belp to have no acquaintance at all with Rossini's brilliant score, though Tony Britten gets more out *of his little band – four strings, four* winds – than you might reasonably expect.

The trouble is rather with the voices. *La Cenerentola* is not an opera stuffed with good tunes that can survive casual treatment, but rather a piece full of glorious ensembles with solo numbers for highly polished singers.

Here there are just two of those, Elena Ferrari's Prince wielding a white-ish soprano in a romantic high tenor's role, and we lose the stepsisters' sopranos to indeterminate male voices. Simon Butteriss *waggles a pert bottom as Clorinda*, and William Relton makes a prissy Dame out of Tishe; hnt the hig ensemhles are sadly opaque and subfusc with half the voices re-assigned. The *only* ground for castrating tbe Prince must be British panto tradition, since it kills the love-interest: in her chauffeur's mufti, Miss Ferrari looks like Odaline de la Martinez at the end of e rough week.

Alcindoro's sung role is heavily trimmed for Andrew C. Wadsworth, who sings what he gets in a pleasant, unpractised baritone, and otherwise presides *smugly* over the entire action. Like the others but more so, Tim Hardy's Don Magnifico finds himself saddled with music that stretches his vocal technique far beyond its limits. Luckily the MTL has found e modest, very charming Cinderella: Jan Hartley'e lightweight mezzo does many things stylishly, and bas a good shot at the rest.

The South Bank bills this production as "joyously irreverent". Perbaps "irrelevant" was meant. *La Cenerentola* was already a sardonic comedy, after all, and a very elegant one; how can you travesty that, or he "irreverent" with it? Presumably just by singing it rather badly.

Certainly tbe new dialogue for this *Cinderella* is glumly wit-free, and there are fewer laughs throughout *than in* any *good Cenerentola* production. The actors manage it all with determined verve, and your children may possibly fail to understand tbe bluer lines.

Theatre/**Alastair Macaulay**

Leave Taking

Of the five characters in Winsome Pinnock's play *Leave Taking* (all black inhabitants of this island), the elder three speak in patois which is the most striking *and successful feature of this interesting play.*

Lines sucb as "Dem tink" (them think) "me millionaire," and "When I need de girls, dey runnin' wild," or "My son blame me for de wedder" (the weather) abound, and there are moments in the play when it seems that Pinnock might do for patois what Synge achieved for Irish English.

Certainly she has made a good start. Patois in her hands is full of feeling, humour, bite. I love the Geordie-like diphthongs on words like way ("wyeh"), face ("fyehce") and soul ("swoul"), and the simplicity of other vowels ("heart" sounds like "haht", almost "hut"). ("In me baht, I wanted to wipe the smile off her fyehce.")

And the fact that the younger two characters speak straight English is double-edged. For we are aware on the one band that they are talking as their mother hoped they would when she came to England and on the other that they have lost something vivid, for the sake of conformism.

Their mother is Enid, an immigrant from Jamaica, caught on two sides by the generation gap. One daughter, Del, is pregnant, difficult and rebellious; the other, Viv, is studious and clever but troubled. Meanwhile, Enid learns about the death of her own mother back in Jamaica, news that afflicts her with guilt for not sending money home regularly to Jamaica, but at the same time reminds her that she was an unloved child.

She has pumped all ber energies into urging her daughters towards the chances she herself lacked, and yet she now realises that, in showing Del too little affection, she has repeated her mother's mistake. Any race has such inter-generational sorrows, but bere they are intensified by migration – by leaving one set of racial values and trying to conform to another.

Leave Taking is not a new play. First staged in Liverpool in 1987, it first reached London in 1990. Now it has been taking up by the National Theatre's education department, and will be toured around Britain until late March.

The educational values of the play are, alas, what this new production stresses. In 1990, as directed by Hettie Macdonald, it felt like a play; in 1994, directed by Paulette Randall, it feels like a diagram. And it is geared more towards sociology than drama students.

The message about the plight of British hlacks is clear but it is hard to be convinced by the characters on stage. Everything is deliberate, schematic and the actors have been encouraged to emphasise their facial and physical effects.

The play is at its best when the dialogue is in patois, and the actors most convincing simply in utterance. Jenni George gives a gentler, more helpless performance in the central role of Enid than did Ellen Thomas in 1990. She has less visceral force, but her very simplicity and bewilderment are touching. At times her lines comes close to melodrama – "Scape? To what? Where I goin' to run to now?" – but sbe speaks them with such plaintive quiet that tbey become poignant. This is not a great play, hut in Enid's dilemma – the bomelessness of migration – tbere is something haunting.

At tbe Cottesloe Theatre, South Bank, nntil January 14. Then on a British tonr nntil March 25. Returning to the Cottesloe in April. There will be a Platform performance with Winsome Pinnock on January 13.

Ballet/**Clement Crisp**

Vulgarity reigns over the Nutcracker

Over on the South Bank, Herr Stahlbaum and his wife have serious problems indeed. They are giving their annual series of Christmas parties, and things have got badly out of hand. Their children are deliquent.

Fritz, supposedly a little boy, is an ill-mannered youth, hopped up on some dangerous substance, and with his gang of little lads is clearly working for his Junior Paedophile badge (he's also been at his mother's eye-brow pencil).

Clara, in an over-winsome outfit, is far to large to be behaving quite so cutely, and she should have given up dolls years ago. Grandpapa is a frisky old lush, eager to recruit the young to the alcohol habit: "tots for tots" is his motto.

The neighbours are baby-frighteners one and all – there is a bloated quartet wbo bring their own food to the party – and the men apparently make their own clothes.

A Dr Drosslmeyer, who calls in with some ungainly automata, is quite obviously a vampire who has his eye on Clara'e jngular. The party, unsurprisingly, is a brawl.

All this is passed off by English National Ballet as *The Nutcracker*. The blame lies with Ben Stevenson, whose loathsome production lurks *round* the *Festival Hall* and is *indis*tinguishable from the beggars and derelicts who are the area's other Yuletide decoration.

ENB's artists are trapped in this miserable affair, but do nothing to resist its vulgarities – its second act as biliously unwelcome as the first. There is bittle else to do with this crass staging – which diminishes the beauty of Tchaikovsky's score and its theme at every moment – save put it out for the dustmen on Twelfth Night.

Though I had sworn that wild horses could not drag me to see it ever again, the presence of Yelena Pankova as a guest artist is stronger than any untamed nag. This former Kirov star is a delight, even in the brief Snowflakes scene which is all she danced on Wednesday night.

Her style is noble, spacious, airy, and she is serenely a ballerina. Schooling tells. (It also, alas, shows up every other woman in the troupe.) Thomas Edur was an impeccable partner and, splendidly, the Prince of the second act, where Agnee Oaks was a pretty and assured Sugar Plum.

The staging is a gold-mine for ENB. It is also a stinker. Let there please be a new, civilised and traditional *Nutcracker* for next Christmas.

As to the South Bank complex itself, its ugliness, its murky, ill-lit, hleakly shoddy eppearance continues to be a metropolitan and *national disgrace. No one cares.*

English National Ballet continues with The Nntcracker at the Royal Festival Hall until 14 January.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 871 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 8
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work; to Jan 14
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm)

BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030) 341 9249
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm)
● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Götz Friedrich at 6 pm; Jan 8, 15
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdnrf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 7

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● Monnaie Symphony Orchestra: with tha Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8
GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New Ynrk; to Jan 15 (Not Mon)

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Lnndon Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Messiah: by Handel. James Gaddam conducts the London Orpheue Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15,
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
GALLERIES
Hayward Tel: (071) 261 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes sectinn on German Expressionists; to Jan 8
Serpentine Tel: (071) 402 0343
● Rebecca Horn: major exhibition of works by the German artist including, 'Kiss of the Rhinoceros'; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: majnr survey of the Victorian painter and designer; tn Jan 8
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13
THEATRE
National, Lyttelton Tel: (071) 928 2252
● *Out nf a House Walked a Man:* by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production nf a collection nf musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 9, 10 (2.15 pm) , 11

NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; tn Jan 8 (Not Mon)
Museum nf Modern Art Tel: (212) 708 9480
● *Cy Twombly: Comprehensive* retrospective of the contemporary American artist; to Jan 10
OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New Ynrk City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 7, 11, 14 (1.30 pm)
● L' Elisir d' Amnre: by Donizetti. Produced by John Copely, conducted by Edoardn Müller at 8 pm; Jan 6, 9, 14
● *Le Nozze di Figaro*: by *Mozart*. Produced hy Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12
● Madama Butterfly: by Puccini at 8 pm; Jan 7, 10, 13
THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging nne man show of the classic with Patrick Stewart at 8 pm; tn Jan 8

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Choir and Orchestra of the Kirov Opera: with soprano Valentina Tsidipova, mezzo-soprano Olga Bnrodina, tennr Gegam Grigorian and conductor Valery Gergiev plays Verdi'e 'Requiem' at 8.30 pm; Jan 10
GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● *Gustave Caillebotte: retrospective* nf the painter whn belnnged to the circle nl impressinnists; to Jan 9
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and nthers; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hnyos, Marin and Galia, music hy Paco Arrigas at 8.30 pm; to Jan 7

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 487 4600
● *National Symphony Orchestra:* with soprano Elizabeth Futral, mezzo-sopranr Claudine Carlson and the Choral Arts Society nf Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14
● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
GALLERIES
National Gallery *Tel:(202) 737 4215*
● Roy Lichtenstein: four decades of the American Pop artist; to Jan 8
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown productinn at 8 pm; Jan 7 (7 pm) , 9 (7 pm) , 13
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 8 (2 pm)
● *Vanessa:* by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Shakespeare Tel: (202) 393 2700
● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

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Their number is up

Gillian Tett explains why maths experts are forsaking academia for the City

Isaac Newton might have blinked. This month, the Cambridge University mathematics institute that bears his name will start brainstorming sessions with City traders and academics on a topic far removed from the rarefied world of academia – derivatives.

The meeting highlights the drive by City institutions to boost their mathematical research and resources after the recent expansioo of the derivatives market – and the controversy it has generated recently.

While some mathematicians are now scooping large salaries, the development is a mixed blessing for the universities. There are fears that the loss of the brightest mathematical brains to business – coupled with the squeeze on research posts in higher education – could erode the research base.

"It is good that a new area of maths application is opening up," says Professor Adrian Smith, head of mathematics at London University's Imperial College. "But the danger is that you need some people to stay to maintain high quality research."

Last year, Prof Smith lost several of his brightest researchers and lecturers to banks such as National Westminster and J.P. Morgan. Although the total number of City jobs remains relatively small, he points out that the departure of just "a few key individuals" in a specialised area like maths can have a wide-reaching effect.

Since the late 1980s, US financial institutions have been recruiting researchers who can handle advanced mathematical concepts – dubbed "rocket scientists". In the past two years, London's banks and derivatives traders have begun demanding higher mathematical skills from their basic traioees, and increasingly recruiting researchers in subjects such as mathematics, physics or eogineering.

This year, Merrill Lynch is taking four times more graduates from maths and science backgrounds than last year. Midland Global Markets says that two-thirds of its current graduate intake is trained in science, whereas only a third would have had scientific training four years ago.

But finding people who can both understand derivatives and explain it to the rest of the world is difficult, Ms Jill Harris, assistant human resources director of Salomon Brothers points out. Indeed, most banks insist that they subject their trainees to rigorous personality tests to check that they can fit into the City culture.

As Mr Derek Joseph, senior human resources management at Midland Global markets, says: "The people we take are quite normal really – they play football, and like going out to lunch."

But the scarcity of those who can understand derivatives and explain them, coupled with the fact that the derivatives section is now a highly profitable one for many banks, means that salaries for mathematicians are soaring.

At the top end of the scale, well-known "rocket scientists" such as Mr Kaveh Alamouti of Tokai Bank in London, who studied mineral technology and is an acknowledged maths whizz, are earning annual salaries in the millions. Eveo at the bottom, a new graduate at Merrill Lynch will start on £38,000 a year – double the amount that a research post in a university can command.

"It's a matter of market forces," says Mr Robert Benson, head of the specialised derivatives section at Midland Global Markets, who is a maths PhD. "If engineers could pay as much, we would go to engineering companies."

Nevertheless, the trend is leaving many mathematicians uneasy. "It is a shame that people are not staying at universities," Mr Benson says. "There is a danger that the next generation of students will be taught by people who are not so good because the good ones will have all left."

Some banks are pumping money back into the universities – Midland Bank sponsors institutions such as Warwick University, for example. Imperial College recently set up a new centre for research into derivatives and other financial areas, which has raised £1.5m worth of funding from sponsors such as Lehman Brothers, Paribas, Robert Fleming and British Petroleum.

Meanwhile, the seminars on derivatives for market traders and academics, being run by Cambridge's Isaac Newton Centre, have attracted City funding – including £10,000 of sponsorship from the Bank of England.

As Professor John Wright of the centre says: "Banks are increasingly realising that it is cheaper to spend money on good mathematics research, when some are losing money on the markets."

There are concerns, however, that the City's new interest in mathematicians may be at the expense of industry, which also needs maths and science skills.

Mr Peter Cooper, deputy secretary of the Royal Society, the prestigious UK science body, fears a shortage. "It is debatable whether we are going to have an adequate number of mathematicians coming through to supply both academic and induatrial research," he says.

In the longer term, Britain needs to produce more mathematicians, he says. Although some maths professors are critical of maths teaching in schools, some hope that the growing demand for numerate graduates will eventually produce an educational shift. "A training in mathematics is becoming the counterpart of a training in the classics a century ago," argues Professor Brooke Benjamin, who teaches maths at Oxford University.

But an expansion of mathematics training in schools is unlikely soon. In the short term, the numbers that many mathematics graduates will be watching will not be their calculations – but their salaries.

Conrad Black
Rupert Murdoch

War of the printed word

Raymond Snoddy on UK newspapers' price-cutting battle

Despite their bittar rivalry, two of the UK's most powerful newspaper proprietors, Mr Rupert Murdoch, chairman of Newa International, and Mr Conrad Black, chairman of the Telegraph Group, are still invariably civil to each other when they meet.

Yet there is one subject of conversation that is taboo, even though it fascinates them most of all – the price-cutting war between the UK'a national newspapers.

The war was launched by Mr Murdoch in July 1993, when he reduced the price of The Sun, the tabloid newspaper with the largest circulation in the UK, from 25p to 20p. Two months later, he cut the price of The Times from 45p to 30p.

The price cutting strategy has taken The Times circulation above 600,000 for the first time and returned The Sun to sales of more than 4m, a figure last seen in 1989.

The other national broadsheet newspapers have all seen some fall in circulation after the cut in the price of the Times, although sales of the Financial Times and the Guardian have held up well because of considerable brand loyalty.

The competition has had substantial impact on Mr Black's Daily Telegraph, which sold more than 1.4m copies a day at the beginning of the 1980s. It fell below 1m sales a day last spring, leading Mr Black to retaliate by cutting its cover price from 48p to 30p in June.

The move staunched the loss of circulation, returning sales to above the 1m level. But Mr Murdoch promptly cut the price of the Times to 20p; sales continued to climb for most of the rest of 1994, with a 47 per cent increase over 1993 in the June-November period.

The Independent has been forced to match the Telegraph at 30p. But caught in the slipstream of the battle between the Times and the Daily Telegraph, its average daily sale was 281,465 for the June-November period, a fall of 14 per cent compared with the same period in 1993.

Only the Guardian among the non-specialist broadsheets appears relatively unscathed: despite holding its price at 45p, it has suffered only a 0.26 per cent drop to 400,601 copies a day in the six-month period to November.

At the popular end of the market, Mirror Group Newspapers appears to have absorbed the worst of the circulation losses. The Daily Mirror is 5p dearer than the Sun, and with average sales between June and November of 2.5m, has lost 4 per cent of its circulation over the same period in 1993. This compares with a 10.9 per cent rise to 4.12m for The Sun.

Meanwhile Lord Rothermare, publisher of the Daily Mail, has kept the price war out of the middle market and increased sales to an average 1.76m between June and November, up by more than 2 per cent.

"If you produce good newspapers, you don't need to cut the price," aaid the last of Britain'a hereditary preas lords. "It's always easier to cut your prices than to get them np again."

Mr Murdoch and Mr Black give no outward sign of ending the price war. "He [Murdoch] *started* the war, he can finish it," snapped Mr Black recently at the annual meeting in Melbourne of John Fairfax, his Australian associate group.

A few weeks earlier Mr Murdoch could not have been more explicit at News Corporation's annual meeting in Adelaide when he took the long view and warned that the 20p Times was here to stay.

In 1930, Mr Murdoch reminded his audience, Lord Camrose, the then owner of the Daily Telegraph, cut its cover price from 2d to 1d, and improved the quality of the paper year after year while holding the price down.

"He took the quality premium away from the price. He was allowed to get away with that for 50 years and establish total domination of the quality market. We are in the business of taking that back," said Mr Murdoch in words that brought gloom to rivals hoping that the price war was costing News Corp too much to continue into 1995.

Life is, however, about to get very much tougher for newspaper price-cutters as the cost of the newspaper industry's most important raw material – newsprint – is about to surge in price. Years of glut are giving way to rising demand for newsprint, as across the world newspaper publishers compete for readers with more pages and more sections.

Newsprint which aold at about £315 a tonne at the end of last year rose to about £363 on January 1, with a further rise of between 10 per cent and 15 per cent expected on June 1. The rise in cost is significant for News International, the UK subsidiary of News Corp which uses more than 460,000 tonnes of newsprint a year.

Other newspaper publishers are now hoping that the rising price of newsprint will force at least an easing in the price war. If Mr Murdoch is to pass the extra cost on in higher cover prices for his newspapers, this would allow others to follow suit.

However, Mr Murdoch is unlikely to end the price war after proving that some newspapers at least are more price-sensitive than most in the industry had imagined. Senior News International executives are now looking at a range of options to reduce the impact of the newsprint bill – and the possibility of cover price increases is only one.

The company has increased advertising rates by 15 per cent and is claiming success in making the rise stick (a claim disputed by rivals who say many of the new readers won by The Times are elderly people on fixed incomes who are unattractive to advertisers).

Newa International is also looking for savings in tha cost of distributing its newspapers. It is in the middle of tendering for new five-year wholesale contracts for its newspapers. Newsagents fear that they will also be asked to absorb some of the higher costs in reduced margins.

The easiest way to reduce the impact of increased newsprint costs would be to reduce the number of pages in newspapers, which have become bloated in recent years. A 5 per cent reduction in the number of pages would cover the increased newsprint bill and, by reducing demand for paper, perhaps even aase upward pressure on paper costs.

Mr Gus Fischer, chief executive of News International, believes that the price war will reveal which publishers are most cost-effective. "It's an issue beyond price competition. It's almost about the long-term viability of the printed word," he says.

The Telegraph Group has been hit financially by the cut in the price of the Daily Telegraph, with pre-tax profits in the first nine months falling to £33.9m from £45.2m. However, Mr Black believes the policy has been a success in protecting the paper, taking circulation back over 1m again and achieving what had previously seemed an impossibility – attracting younger readers.

Even if the Telegraph has to absorb the newsprint price rises, it can probably continue to make profits of £2m a month – roughly half the level before the price war. "News International has not succeeded in seriously hurting us and they are not going to," said Mr Black who nonetheless clearly would like to see Mr Murdoch increase the price of The Times.

News International will say little about its plans beyond the obvious – that it keeps its cover prices constantly under review. The most likely outcome is that The Times will stay at 20p – since the cover price brings in less than half the revenue. If the lower price continues to boost sales, this should help advertising income, which accounts for the majority of revenue.

The Sun, however, is likely to raise its price before too long to reflect the increased costs, aince cover prices account for between 60 per cent and 70 per cent of tabloid newspaper revenues.

Mr Murdoch has already made his thoughts on The Sun publicly plain. The initial 5p price cut had cost £1m a week, although some of that has been recouped with a 2p price increase last August.

"We expect to hold tha majority of our gain [in circulation] as we go np in price slowly," Mr Murdoch explained to shareholders.

As newspaper proprietors stand eyeball to eyeball, there is some consolation they can draw. Overall national newspaper sales are expected to have averaged 13.6m in 1994, up from 13.4m in 1992 – thanks largely to the hostilities between Mr Murdoch and Mr Black.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

South-east state with potential

From Mr Michael Clarke and Mr David Tonge.

Sir, Europe looks east and, as you pointed out well in your editorial of January 3 ("Europe looks south"), it also looks south.

But there is a south-east too, in the shape of Turkey, economically more advanced than both and with a population of some 60m people. Don't forget us.

Michael Clarke,
Coopers & Lybrand,
Gayrettepe,
Istanbul
David Tonge,
IBS Research & Consultancy,
Macka,
Istanbul

Chinese move on arbitration

From Mr Jean-Charles Rouher.

Sir, Your leader on the risks facing investors in China ("Chinese risks", January 5) fails to give a complete picture when it refers to the absence of the institutions of a market economy. There are signs of increased Chinese respect for international commercial usages, notably in the area of international arbitration.

Recently an important segment of Chinese business undertook to promote the "rules, customs and practices" formulated by the International Chamber of Commerce, as part of its commitment as a newly constituted national committee of the ICC. This pledge includes the ICC International Court of Arbitration.

Hitherto, Chinese state enterprises and companies tended to insist that arbitration in the event of disputes about fulfilment of a contract be conducted under the rules of the China International Economic and Trade Commission. Thus cases were conducted in China, under Chinese law, with documentation in Chinese, and mostly Chinese arbitrators.

Now companies negotiating contracts in China are in a much stronger position than previously to insist on insertion of the ICC arbitration clause. Under ICC rules, arbitration may be conducted in any country, in any language, and under any national law.

Although China is a party to the 1958 New York Convention on enforcement of foreign arbitral awards, there have been difficulties about enforcement in the past. But Chinese participation in the ICC should also increase respect by Chinese companies for international arbitral awards in general. It is to be hoped that this in turn will lead to increased acceptance of such awards by Chinese courts.

The fact that 162 companies and associations, among them some of China's biggest business entities, have undertakeo as members of ICC China to promote ICC rules for the conduct of trade is evidence of the determination of Chinese business eventually to play a full part in the world trading system.

Jean-Charles Rouher,
secretary general,
ICC,
38 Cours Albert 1er,
75008 Paris

Audit body is democratic and independent

From Mr W I D Plaistowe.

Sir, The comments of Mr Prem Sikka on the role of the Auditing Practicea Board, which you reported ("Academics claim audit body is undemocratic", December 16), were in fact inaccurate and misleading.

You reported Mr Sikka and friends as having attacked the APB's right to determine policy on the basis that it has no "democratic mandate to formulate audit policy for tha UK". This is misleading.

Members of the board are appointed by a selection committee comprising the Bank of England, the Stock Exchange and the Consultative Committee of Accountancy Bodies.

In addition, the National Audit Office or Audit Commission and the Securities and Investments Board have the right to nominate voting members, and the Department of Trade and Industry and the Irish minister for industry and commerce nominate non-voting members. This is hardly undemocratic.

Mr Sikka goes on to state that "the APB is owned by the six major UK accountancy bodies who continue to control the agenda and parameters of discussion".

I am not aware of tha major UK accountancy bodies ever having tried to control the agenda of the board or the parameters of discussion.

"It is not independent of the profession." Not true. In fact 50 per cent of the board comprises auditors and 50 per cent non-practitioners.

Many of those practitioners are very independent indead and would feel very upset at being decribed as not independent. They are prepared to raise any question on subjects connected with auditing and regularly challenge matters which are close to the heart of our profession.

Mr Sikka goes on to state that the board is unduly influenced by members of the big accountancy firms. In fact, the Big Six firms provide only a minority of the board.

Mr Sikka also states that the board will never reflect the views of small practitioners. This is not true. Three small practitioners already sit on the board.

In addition, earlier this year the board agreed to establish a working party to consider the particular issues affecting the auditors of small companies – ie largaly small practitioners.

Mr Sikka and his friends state that the "board has been diverted from considering how to prevent further audit failures leading to corporate collapses".

This is not true. The board has recently extended substantially the auditors' role in considering "going concern" – which should reduce the number of occasions on which companies collapse without warning.

W I D Plaistowe,
chairman,
Auditing Practices Board,
PO Box 433,
Moorgate Place,
London EC2P 2BJ

Industrious UK takes fewer holidays

From Mr David Burton.

Sir, On January 3 National Radio 5 gave us the annual whinge, this time from the Institute of Directors, about the length of Christmas holiday taken by industry in the UK. Let me give your readers the facts from the heart of the industrial Midlands.

Most manufacturing companies closed on Thursday, December 22, taking the Friday in lieu of May Day which has always been a working day. The three non-bank holiday days of last week were taken as part of the annual holiday entitlement. Our summer shutdowns are not as lengthy as most of our European competitors and the number of statutory holidays is less.

Overall, our industrial unit labour costs are now very competitive, the reason why we are enjoying so much inward investment into foreign-owned manufacturing facilities in this region.

The regeneration of national confidence is not helped by uninformed comment from those who should know better. Let us at least start the year as optimists.

David Burton,
Coventry and Warwickshire Chambers of Commerce and Industry,
Radford, Coventry CV1 4FD

Fallen soldiers should be given greater respect

From Mr Patrick Heren.

Sir, The photograph published on the front page on January 4 of an identifiable dead Russian soldier was unnecessary, distasteful and disrespectful.

Whatever your paper's view of the Russian action in Chechnya, you have no right to engage in this sort of war pornography. The remains of soldiers killed in battle should be treated with the reverence accorded to those of people who die in ordinary circumstances.

Patrick Heren,
editor,
European Gas Markets,
7 Old Town, London SW4 0JT

FINANCIAL TIMES

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Friday January 6 1995

Russia's blind alley

President Boris Yeltsin has got himself into precisely the terrible mess in Chechnya forecast by his most sensible advisers, and most of the outside world. His tanks are being picked off by a band of determined urban guerrillas, and his half-trained conscripts are dying on the streets of Grozny. Russian mothers are protesting back in Moscow at this wanton waste of their sons' lives, while the international community looks on with growing alarm. The pressure for western action to halt the killing is growing, and yet the west remains reluctant to intervene in what is formally an internal Russian matter.

Events in Chechnya have demonstrated the failure of post-Soviet Russia's institutions on three critical fronts. The executive did not function properly, because Mr Yeltsin accepted bad advice to intervene militarily in the rebellious republic. The Russian legislative branch has failed to live up to its responsibility, by passing pointless resolutions, and then going into recess in the middle of a civil war. And the Russian security forces have demonstrated their incapacity to cope with, or even analyse correctly, a small rebellion on their territory.

One good thing, however, has been proved. The freedom of the Russian press has shown that it is no longer possible in today's Russia to conduct a secret war, internal or external, as it was in the days of Afghanistan. Russian democracy may have failed, in that Mr Yeltsin blundered into this tragic adventure without any serious attempt at parliamentary approval. But the press and the parliamentarians who flew to Grozny have ensured that the reality of the situation has been brought to public attention.

Clear interests

The western world has clear interests in Russia. The first is to promote stability, so that the conflicts and growing chaos within its frontiers do not spill over and infect the regions around it. That stability would help guard against extremists coming to power in a country which still possesses nuclear weapons.

Democracy and respect for human rights are essential underpinnings of that stability. The Helsinki process, which gave birth to the CSCE – now the OSCE – accepted the principle that respect for human rights was of international interest, not just a domestic concern in any country. It also recognised that respect for international boundaries must be counter-balanced by recognition of the right to self-determination: neither principle could be regarded as paramount.

Economic potential

The second western interest is to promote economic reform in Russia, in order that the country may realise its full economic potential, and in turn, reinforce social and political stability.

Mr Yeltsin's attempt at suppressing the Chechen rebellion with tanks threatens both those interests, and therefore it is of vital importance to the west to persuade him to stop and negotiate. The invasion threatens stability because it could incite unrest among Russia's 18m Moslems and encourage further attempts at secession. Moreover, it has dramatically weakened the Russian president's own position, leading many observers to question for the first time his ability to remain in power. As for the economy, the costs of the operation have already made any serious budget restraint meaningless. That will make it nigh-on impossible for the International Monetary Fund to approve its biggest ever financial assistance package.

This is not the moment for the west to take drastic decisions to halt aid or loans to Russia. It is the moment for very straight talking to Mr Yeltsin, in order to make clear to him that his interests lie in calling a halt to the military operations. Having done so, he will need a constitutional framework within which to negotiate with Russia's ethnic minorities. If he agrees to a mediating role for the OSCE – an organisation which he wishes to promote – that would be a big step forward.

The painful truth is that there is little the west can do to influence events in Chechnya or in Moscow. This is a Russian problem that requires a Russian solution. Mr Yeltsin must be persuaded that it is in his own interests to find a negotiated solution. If he does not, he will eventually forfeit what is left of western good will and western cash.

Where bankers fear to tread

Derivatives can do serious damage to your health. It would be hard for any professional player in the world's stock markets to be unaware of that health warning, after the scale of last year's losses at banks, funds and companies. But the spectacle of those losses, and banks' continuing participation in derivatives, has left banking regulators with tough conundrums to tackle.

The Bank of England is now grappling with one of the messiest of those questions: banks' difficulty in assessing risk when they deal with customers which use fund managers as intermediaries. The issue has arisen because of the steady growth of markets in futures, swaps and the like, and their growing popularity among fund managers. The Bank of England is concerned that ignorance of the ultimate customer makes it impossible for banks, and their regulators, to assess exposure to potential losses.

At present, the Bank's concern is largely theoretical: the problematic trades are mainly confined to the largest market players. However, the issues extend beyond derivatives to many forms of bank credit where the banks do not know customers' identity. Both banks and fund managers also argue that failure to address the problem appropriately will jeopardise London's position as an international financial centre.

The type of trade which has aroused concern is one in which a fund manager asks a bank to deal on behalf of an unnamed customer, usually a pension fund or hedge fund. The bank then runs the risk of default by that fund, as it may be unable to hold the fund manager liable.

Credit-worthy

Banks complain that at present they cannot tell if such customers are credit-worthy. Even if the fund manager has judged the customer to be sound, a bank may unknowingly accumulate a large exposure to a single customer through several fund managers. A further risk is that the type of transaction undertaken by the customer may be *ultra vires*, and the contracts prove unenforceable, as the case of Hammersmith and Fulham council's swaps dealings showed.

To reduce these risks, banks want funds to disclose their clients' identities. Otherwise, they want the funds to assume the liabilities in the event of default. Neither of these options is ideal. For a start, if the funds assumed the liabilities, they would have greatly to increase their capital, and hence their charges.

Forcing greater disclosure would also bring problems. Fund managers have vigorously defended their right to protect clients' identities. Their claim that clients want such secrecy is not always justified. But fund managers have a legitimate worry that such information, leaking out of the banks, would help their competitors. In such a ferociously competitive industry, forcing disclosure of sensitive information should not be undertaken lightly.

Running risks

Moreover, it is not obvious why one part of the financial services industry should be penalised for the rashness of another. It is, surely, unwise for banks to deal on any significant scale without being able to assess the credit risk. They have not yet succeeded in showing that the regulatory regime should be tilted in their favour to compensate for their determination to run such risks.

If the Bank of England is seriously concerned about banks' current exposure, it could restrict the extent to which banks can enter such contracts. But it would seem premature to take severe steps to increase disclosure, for example, by taking the issue to the Basle Committee of banking supervisors from leading industrial countries.

For the moment, however, there may well be mileage in investigating whether compromises are workable, as the British Bankers Association and fund management groups are currently doing. In some cases, disclosure of the nature of the counterparty, although not the exact identity, may be acceptable. Banks and fund managers may also find that they can reach solutions bilaterally, rather than needing industry-wide regulations.

There are no easy answers, and perhaps no general ones. But at this stage more prudence on the part of the banks, rather than more regulation, may prove the best way ahead.

Each state for itself

Bruce Clarke explains why the UN and other western collective security bodies seem to be losing their cohesion

If everything had gone according to plan, this would have been a month of high-wire diplomacy.

At the UN, entering its 50th year of existence, leaders of the nations who make up the Security Council would have held a spectacular, photogenic meeting and laid out some bold plans for the next half-century.

Last month, however, the Security Council summit was quietly and indefinitely postponed. In the words of Mr Emilio Cardenas, the Argentine ambassador who would have chaired it: "To hold a summit, what you need is a meeting of the minds of all the players, and today we simply do not have that meeting of minds."

It was a blunt admission of the waning of the utopian expectations that surfaced after the collapse of Soviet communism. For a brief period, it seemed the world's leading powers were pursuing compatible strategic goals through a set of institutions which everyone wanted to see strengthened.

But by mid-December, when the envoy was speaking, it was clear why summitry, and international institutions that purport to guarantee security, were going out of fashion. Earlier in the month, a summit in Budapest of the Conference on Security and Co-operation in Europe had descended into name-calling, after Russian President Boris Yeltsin lashed out at the US for trying to speed up the enlargement of Nato. The sense of disarray was compounded by the zeal with which the UK, France and Germany hastened to assure Mr Yeltsin that they did not really disagree with anything he said.

Moreover, meeting a few hundred miles from the bloodiest battlefields Europe has seen for half a century, the 50 leaders in Budapest were unable to include a single mention of Bosnia in a communique running to 90 pages.

A few days after that meeting, Moscow sent tanks and fighter-bombers into Chechnya. This left in shreds the sensible principles of the CSCE (now renamed the Organisation for Security and Co-operation in Europe): proportionate use of force, a bar on indiscriminate bombing of civilians, the need for warnings before large troop deployments.

Whatever the pragmatic arguments in favour of doing business with Russia, US President Bill Clinton could scarcely have welcomed Mr Yeltsin to the Security Council meeting in New York, or spoken solemnly of "common values", as civilians were dying in Grozny.

So the summit's cancellation was hardly a surprise: it was the predictable culmination of a year that had seen a precipitous decline in the credibility of one security institution and one multinational project after another.

Over the next three months, one of the most ambitious exercises in post-cold war internationalism will come to an ignominious end: the UN mission to Somalia, once a symbol of US faith in the feasibility of large, altruistic military missions in distant countries. In an ominous victory for chaos over order, the UN troops – which arrived so optimistically in December 1992 – have been attacked, robbed and harassed by rival warlords, who have resumed their bloodletting. The UN's whimpering retreat from Mogadishu may be a harbinger of a bigger and bloodier operation, from which it will not be possible to divert the world's attention: withdrawal from the former Yugoslavia.

Frustrated by the experience of working with the UN in Bosnia, Nato planners have dreamt up a huge expeditionary force – involving 50,000 troops, 80 tanks, 70 combat aircraft and 6,000 jeeps – to cover a possible withdrawal of peacekeepers from the war zone.

It is only a contingency plan, and yet the thought of mounting such a giant collective enterprise has boosted alliance morale. The fact that all Nato's members, including the combat-shy Americans, seemed willing to help has also been a welcome fillip.

But Mr Willy Claes, the blunt Belgian who became Nato's secretary-general last year, recently warned the alliance against any illusion that leaving Bosnia might be more satisfying than staying there. He told the Dutch magazine Elsevier that evacuation from Bosnia by west European peacekeepers would be a complex and bloody operation.

But Mr Claes's apprehension over a UN withdrawal does not, as he made plain, imply that he harbours any love for that organisation. By working with the UN in Bosnia, Nato had "made itself ridiculous as a military organisation", he complained. He vowed that Nato would not repeat the mistake in other conflicts. "If we cannot set the rules of our military operations, they [the UN] will have to find other idiots to support peacekeeping."

These were harsh words about the organisation responsible for Nato's mandate in the former Yugoslavia. But the ridicule to which he refers is palpable enough, and it became glaringly obvious on two occasions last year.

One was on Thanksgiving day, November 24, when the US ambassador to Nato failed to persuade his colleagues to accept a plan to use air power to reverse recent Serb advances in northern Bosnia. In past years, such a proposal would not have been tabled at an ambassadors' meeting without discreet pre-cooking, through consultations between leading western capitals. But the old way of doing business, based on common assumptions of mutual interest, has broken down.

The second occasion for ridicule came on December 2, when alliance foreign ministers had gathered in Brussels to chant a new, and not very convincing, mantra: the Bosnian crisis was not a crisis for Nato. The ministers were caught in mid-chant, so to speak, by the revelation that the Bosnian Serbs – using the UN as an intermediary – had with some success demanded a drastic reduction in Nato military flights. For the bureaucrats in both organisations, it was an embarrassing end to a difficult year.

Nor, if the predictions of Mr Claes are to be believed, do prospects for the western allies look rosy in 1995: they will either remain in Bosnia as "idiots" or pull out and leave the Balkans to their "entirely uncontrollable" fate. Mr Claes's bitter tone reflects the decline in prestige and in internationalist optimism that has stricken virtually all the organisations – old and new – to which leading western nations have looked to preserve and enhance stability.

If the US disengages from western Europe, there could be a wholesale 'renationalisation' of defence policies

In the tantalising vision that emerged – however briefly – from the fall of the Berlin Wall in 1989, old organisations like the UN and Nato were expected to transform themselves and work even better than before. At the same time, lesser known bodies – such as the CSCE/OSCE and the Western European Union – would find a respectable place in an interlocking structure of collective security arrangements extending from Vancouver to Vladivostok.

Last year these hopes receded. Far from transforming themselves, the old institutions seemed at times to be seizing up.

New arrangements – patched together when old ones failed – have also struggled hard to function: one example is the contact group on Bosnia, in which the US and Russia accepted the UK, France and Germany as the representatives of western Europe. The group was formed last spring, in part to bypass the European Union's rotating presidency which had moved to Greece, a country being prosecuted (unsuccessfully) by its EU partners in the European Court over its policy towards ex-Yugoslavia.

Creating the new group turned out not to be a panacea, however. At its most recent ministerial meeting last month, reaching consensus over Bosnian issues proved much harder than at its previous gathering in July. After four hours of haggling, the UK, France and Russia were left fuming by America's virtual veto on further inducements to Serbian President Slobodan Milosevic; and frustrated by Germany's insistence that the Bosnian Serbs could not form a confederation with Serbia proper.

The recurrence of these ancient fault lines – reminiscent of European politics before 1914 – is an ominous development in international affairs. Far from ushering in a period of idealistic multilateralism, the end of communism has triggered a return to traditional nation-state diplomacy, tempered by bilateral or trilateral co-operation of the most pragmatic kind.

Mr Jose Manuel Durao Barroso, Portugal's foreign minister, warned recently that, if the US disengages from western Europe, there could be a wholesale "renationalisation" of defence policies, with each ally going its own way. Hints of this are visible already.

In the UK, for example, there is a respectable – albeit minority – school of thought which says that Britain should abandon its command of Nato forces in Germany and concentrate on guarding its own territory. The rising cost of defence systems may still force countries to co-operate; but this co-operation might take the form of *ad hoc* bilateral and trilateral arrangements, in which the co-ordinating role of Nato or the WEU takes a back seat.

German strategic experts spent much of last year debating whether a new air defence system should be developed bilaterally with the US, or whether – as eventually agreed – France should be involved too.

France, Spain and Italy are forming an air and naval force; the UK and the Netherlands are putting together an amphibious force; Portugal may join either or both; Norway wonders whether anyone would come to its aid in a crunch.

Anglo-French defence relations have also improved significantly in the past year, with closer co-operation between their air forces. But doubts remain over whether either country is prepared to act on its high-sounding rhetoric about boosting the WEU as Europe's defence arm.

The continuing salience of nation-state diplomacy was highlighted by a remarkable boast a few weeks ago by a senior UK official at a private meeting of foreign policy experts. He said no development in former Yugoslavia had surprised the UK; every turn of events had conformed with London's private predictions.

This claim has far-reaching implications. It suggests that Europe's individual states retain a private sophistication in their analysis of the Balkans – and presumably other hot spots – which is so lacking in the multinational organisations to which they belong. At least in the most sensitive areas of policy, individual states still seem to hold back from placing their individual expertise at the disposal of their collective institutions – such as the embryonic foreign affairs machinery of the EU.

For the guardians of hard-pressed international institutions such as Mr Claes and UN secretary general Mr Boutros Boutros Ghali, the real horror of leaving Somalia or Bosnia does not lie in the public admission of failure that withdrawal implies. The danger is that, in the course of a disorderly, contested withdrawal, a sort of spontaneous renationalisation would occur, with international commanders losing control and each country scrambling to get its own forces out.

But the security institutions of the west might be mortally wounded by the recrimination that could erupt if troops from a dozen countries pushed, shoved and elbowed each other on the road out of Bosnia. Such a debacle would poison the atmosphere of mutual trust required to deal collectively with the challenges that will emerge this year, from signs of renewed militarism and xenophobia in Russia to the prospect of an extremist takeover in North Africa.

Instead of resolving to meet these challenges together, there is a danger that each western country will view them in a spirit of selfishness and damage-limitation. Already this lack of common purpose in dealing with new threats is evident in the west's reaction to events in Chechnya. Russia yesterday agreed to meet envoys from the OSCE, in the knowledge that this is an organisation with virtually no coercive power and that most of its western members wish the Chechnya problem would simply go away.

No western country wants to be the first to forfeit the opportunities – political and commercial – which relations with Russia still promise in the medium term. This has been evident in recent days as each country formulates its own mild rebukes to Moscow in a spirit of jostling competitiveness as opposed to collective indignation.

OBSERVER

A victorious reign?

■ When Nick Durlacher steps down as chairman of Liffe in May after three years in the post, one of the City's most interesting jobs comes up for grabs. Unpaid it may be, but the task of chairing the London derivatives exchange, which every day trades contracts worth £133bn, is now far more significant internationally than presiding over either Lloyd's or the Stock Exchange.

It is the board, rather than Liffe members, who choose the chairman, and it is unlikely that it will look outside its present directors this time. Jack Wigglesworth, one of two deputy chairmen, who has been there from the start, would be a safe pair of hands. Yet his very experience could count against him if a fresh mind is called for.

The exchange faces some big questions – property, since it is already bursting the seams of its new Cannon Bridge home; linkages with international exchanges, a crucial area it has yet to get right; and steady competition from continental Europe. There is also the possibility that the enormous growth rates of past years will tail off, throwing up entirely new management issues.

An inspired, if slightly risky, choice, would be 35-year-old Victoria Ward, a former Liffe official who is now number two in the capital markets division of NatWest. Brian Williamson, one of the best past chairmen, was only 37 when he took the job. Like him, Ward is an original thinker and she would have the backing of a big organisation, which would give her the clout that her years might not.

Actually, no

■ *Adieu* Actuel, the latest French magazine to bite the dust. The formula sounded good some 20 years ago: a dash of the leftish politics of Libération in former days, stirred into the lengthy analytical approach of Le Monde, and topped off with the radical cultural approach espoused by any number of hip glossies.

It's been laid low by several factors. The increasing conservatism of ageing hippies hasn't helped, but more serious is a slump in revenues following restrictions on advertising for ciggies and booze.

Actuel has thus become *passé*. But it was defiant to the end; this month's final front cover is blank, save for a big lipstick smudge of a farewell kiss.

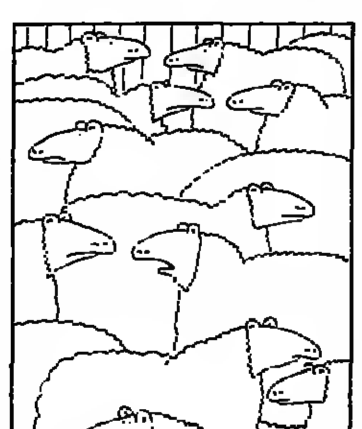
Princes and plebs

■ Professor Alan Ross, where are you now? The late professor of linguistics at Birmingham University, who invented the terms U and non-U 40 years ago to describe what was and was not upper-class usage of the English language, is sadly no longer with us to adjudicate on an article in today's issue of the decidedly rightwing magazine The Spectator.

There we may read the considered opinion of Lord Charteris, 81, the Queen's former private secretary, that the Duchess of York, ubiquitously known in the popular press as Fergie and the estranged wife of Prince Andrew, is "a vulgarian. She is vulgar, vulgar, vulgar, and that is that".

A former provost of Eton, director of two of London's most upper-crust hotels – Claridge's and the Connaught – Martin Charteris speaks with authority.

But we need a Ross to help us on one matter: isn't it, well, a trifle *vulgar* to repeat oneself? Not to mention the matter of talking to the press.



'The Continent's a nice place to visit but I wouldn't want to be slaughtered there'

Pipers and tunes

■ Charles Scott, Saatchi's chief executive, will probably shed few tears if he loses the Tory party's account. It was little more than a poorly paying flagship beaved out to seduce other, wealthier clients. A loss-leader, in fact.

Had the agency been fully remunerated for all the hours Maurice Saatchi and his team put in, the costs would have been considerable. Now that the Tory party itself looks increasingly like a lost cause, Scott may be secretly smiling to himself that he's got rid of not one but two lame ducks.

Networker

■ Clearly the problems of Trafalgar House and its Cunard shipping company are not enough to occupy the full-time attention of Simon Keswick. Trafalgar's chairman has just joined the board of Wellcome – which brings his score to seven non-executive directorships plus another six chairmanships.

Keswick must be in the running to capture Sir Roland Smith's title for the most company directorships. Admittedly, his portfolio of outside jobs is not yet as magnificent as those of his eldest brother, Henry, who sits on the boards of Sun Alliance, Rothmans, Robert Fleming and The Telegraph, or his middle brother – Hambros' Sir Chips Keswick, who sits on the court of the Bank of England. But at 52, time is on Simon's side, provided he doesn't scuttle Trafalgar House.

Plumb loco

■ A London-based colleague needed some emergency plumbing recently, but was swamped for choice, particularly by those who like the letter A. In one telephone directory 36 plumbers use names beginning with A: all the other letters of the alphabet accounted for only 43 names.

Plumbing companies whose names began with only one A were discarded for lack of effort. Even Aaadvanced Plumbing rated only the 12th entry. AAAAAA Aaddison Ltd must have been disappointed to come only sixth, while AAAAAAAAA Aabacare could only muster fourth place.

Coveted first spot went to AAAAAAAAAAAAAAAA Apex Ltd, which must surely be a record, though whether for ingenuity or absurdity, heaven knows. Would you use a plumber who thinks you lazy enough to go for just the first on the list?

FINANCIAL TIMES
Friday January 6 1995

Ford calls for UK aid to make new Jaguar

By Kevin Done, Motor Industry Correspondent, in Detroit

Ford, the US carmaker, has applied to the UK government for between £80m ($125m) and £100m in state aid to support the production of a new range of Jaguar cars in Britain.

The project, codenamed X200, would involve an investment of more than £500m and would more than double Jaguar output to more than 100,000 cars a year by the end of the decade.

It would create more than 1,000 jobs at Jaguar and thousands more in the motor components industry. Jaguar's UK plants in Coventry and Birmingham are competing for the X200 project with an existing US Ford plant at Wixom near Detroit, where Lincoln-brand luxury cars are assembled.

The planned range of smaller Jaguar sports saloons is designed to compete with rivals such as the BMW 5-series.

The X200 could begin production in late 1998 with a capacity to produce at least 50,000 cars a year. The Jaguar project would consume a significant part of the UK's selective regional aid budget, and the application will be carefully examined by Mr Michael Heseltine, secretary of state for trade and industry. This year the DTI's planned budget figure for regional aid is £101m.

Ford has already said that, if it fails to obtain the necessary financial support, it is prepared to make the X200 the first Jaguar to be built outside the UK.

Mr Alex Trotman, Ford chairman and chief executive, said last autumn that one of the group's US plants "could build Jaguars just fine. We have some of the best quality factories in the world in the US".

Studies have shown that potential car buyers would be unlikely to be deterred if the new vehicle were foreign-built.

The US is Jaguar's single most important market accounting for close to half of its sales worldwide. Both BMW and Mercedes-Benz of Germany, the world's leading luxury and executive carmakers, are already developing their first passenger vehicle plants in the US. A decision on the prodnction location is expected later this year. Last March the UK government agreed to pay £9.4m in grant aid to Jaguar to deter Ford from moving the assembly of the next generation XJS luxury sports car – the X100 project due for launch in 1996 – from Britain to Portugal.

The new range of smaller Jaguar sports saloons is being developed as one derivative of a Ford model programme, codenamed DEW98, which is still to receive final board approval.

This project could eventually spawn at least three different cars sharing the same chassis platforms hut with unique body shells and engines.

Jaguar has run up heavy losses since it was acquired by Ford in 1989 for £1.56bn. It accumulated pre-tax losses of £776m from 1989 to 1993, but its fortunes are now improving and it is expected to announce its first quarterly operating profit since 1989.

Rover to add 300 jobs, Page 5

Moody's deals rating blow to Sweden

By Hugh Carnegy in Stockholm

Moody's, the US rating agency, yesterday downgraded Sweden's sovereign debt rating, dealing a blow to the Social Democratic government's efforts to rebuild confidence in the economy just days before it presents its first budget.

Citing "enormous growth" in the budget deficit and the burden of a public sector debt that has "ballooned" to 90 per cent of gross domestic product, Moody's lowered Sweden's long-term foreign currency debt rating to AA3 from AA2.

"The debt stock is growing faster than nominal GDP and the interest payments on this huge deht will represent a significant constraint for at least the next decade and probably much longer," Moody's said. It warned that measures to stabilise the debt would "force Swedes to make large-scale modifications in their public benefit programmes and accept slower growth in their standard of living."

The government, struggling to persuade sceptical financial markets that it is hringing the deficit under control, had hoped Moody's would leave Sweden's rating unchanged, at least until after next Tuesday's budget when it plans to unveil a SKr20bn ($2.69bn) package of spending cuts. It now faces the prospect of an upturn in long-term interest rates as a result of the Moody's move, which followed a similar assessment last month by IBCA, the European ratings agency.

"It is not helpful because it makes it more difficult for us to finance the deficit at a low cost," said Mr Leif Pagrotsky, a senior adviser to Mr Göran Persson, the finance minister.

Moody's acknowledged that hudget consolidation steps already taken by the present and previous governments and a recovery in the economy would reduce the budget deficit from its peak of more than 13 per cent of GDP. The Social Democratic administration has already adopted a package of tax increases and spending cuts to reduce the hudget deficit by SKr57bn over the next four years. Sweden's rating remains above that of Italy and Portugal, which stand on A1, but it has slipped below its Nordic neighbour Finland, which suffered a deeper recession than Sweden, but took tougher fiscal measures to control its public finances.

Dealers expect government debt yields, which had improved markedly following the well-received November EU referendum, to increase to over 11 per cent over the next few days, from the current 10.8 per cent.

Capital markets, Page 19

Taiwan plans compromise to help sea trade with China

By Laura Tyson in Taipei

Taiwan is moving to ease a four-decade ban on direct transport links with China, with the aim of becoming a regional business hub and limiting the effects of Hong Kong's impending return to Chinese control.

Taiwan's cahinet yesterday approved the establishment of a so-called "offshore" trans-shipment centre at the southern port of Kaohsiung, through which foreign-registered vessels could travel en route to mainland ports. The plan is expected to be sent to the parliament soon for approval.

Mr Lien Chan, Taiwan's premier, was quoted as saying the plan would be a starting point for a "forward-looking, pragmatic" policy toward mainland China. The two sides severed contacts in 1949, but cross-strait political tensions have eased recently alongside booming commercial ties. The proposal satisfies the letter of official rules hanning direct contacts while accommodating trade developments. It will also serve to mollify the domestic husiness community, which has long lobbied for direct cross-strait transport.

Most cross-strait trade and transport is routed through Hong Kong, which many husinessmen see as a costly inconvenience. The Taiwanese government is also concerned about the impact on business of Hong Kong's return to Chinese sovereignty.

However, Taipei has said it will not restore direct transport links until Beijing renounces the threat of force to retake the island, and the proposal is a way around that obstacle.

Mr Hsu Li-teh, deputy premier and economic planning minister, said: "Our ultimate goal is to make Taiwan a free and open economy and speed our industrial restructuring. Mainland China is not a key element in the plan." But Mr Vincent Siew, Taiwan's top China policymaker, suggested the move might be intended as an olive branch to Beijing. "Since the Chinese communists want economic and trade co-operation, we hope they can make some friendly response."

Under the plan, only foreign-registered vessels would be allowed to provide cargo services between Taiwan and China. Chinese cargoes or passengers will not be allowed entry into Taiwan hy way of the "offshore" centre. It was not clear whether ships passing through the proposed centre could drop off or pick up cargo in Taiwan before continuing to Chinese ports.

Should the shipping model be successful, a similar formula may be adopted to skirt the ban on direct flights. Taiwan's ambition of becoming an Asia-Pacific centre for commerce, finance and transport has been hampered by a lack of direct sea and air links to China.

Mexican sell-offs to help solve debt crisis

Continued from Page 1

calm investor anger over the devaluation at a bostile meeting in New York. Mr Ortiz's message was that Mexico was not suffering a solvency problem.

The peso, which has lost roughly 30 per cent of its value over the past three weeks, and the Mexican stock market both responded positively. The Mexican stock market had risen hy 0.93 per cent by midday, while Mexican stocks traded in New York were up slightly. The peso was qnoted at 5.35 to the dollar, compared with 5.575 at Wednesday's close.

Mr Ortiz said the expected revennes from the sell-off programme wonld amonnt to $12.2bn-$14.5bn.

A senior official in Mexico City said Mr Ortiz's statement indicated a deepening of the privatisation programme, and that a start would be made soon on the first privatisations. He said the figure was a conservative estimate of privatisation revennes over the next four to five years.

Mr Ortiz estimated revennes from the sale of toll roads would amount to $1bn-$1.5bn, while the sale of the government's remaining 23 per cent stake in Bancomer, a bank, conld raise $500m-$1hn. The privatisation programme also inclndes airports ($250m-$1hn), satellite access ($1.5hn), petrochemicals ($1.3bn), long-distance and local telephones ($1hn-$1.5hn) and ports ($200m).

THE LEX COLUMN

SCA out of the woods

Money can grow on trees. At this stage of the cycle, paper and pulp companies' cash-flow is astonishing: SCA should generate SKr4bn ($537.2m) of cash before capital investment this year. That partly explains how it can afford to take gearing to 80 per cent through the acquisition of a majority stake in Germany's PWA. The eventual disposal of stakes in Modo and Industrivarden should also help.

The price, at a prospective price earnings ratio of 11 times 1995 earnings, does not look high, particularly when compared with the multiple of more than 20 times earnings paid by SCA for Reedpack in 1990. That said, the deal is earnings enhancing only because of talented financial engineering: the depreciation policy will be relaxed from rigorous Germanic levels; SCA's tax position should mean a lower tax rate for PWA; and the deal will be primarily funded at cheap German interest rates.

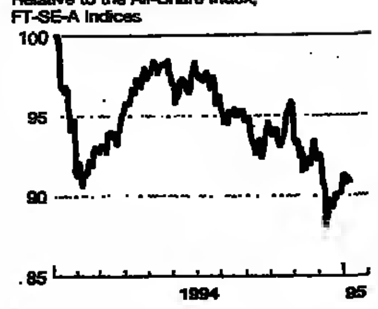
Strategically, putting the businesses together makes eminent sense. SCA will become the European market leader in corrugated cardhoard. Its market position in hygienic papers will be reinforced, allowing it to compete more easily with the likes of Kimherly-Clark and Procter & Gamhle. Finally, the move provides distribution channels for SCA's products in the important German market. The only bad fit is the fine papers business which, despite denials, will probahly be disposed of.

The other fly in the ointment is the unfortunate plight of shareholders owning the remaining 40 per cent of PWA. These have missed out on the 20 per cent premium offered by SCA. The German authorities need to address the treatment of minorities in their next round of reforms. The absence of a proper takeover code remains a serious impediment to the development of *Finanzplatz Deutschland*.

FT-SE Index: 3032.3 (-19.3)

Retailers General

Relative to the All-Share Index, FT-SE-A Indices



Source: FT Graphite

UK retailing

Two retail trading statements do not make a trend, hnt they should certainly dispel some of the Christmas gloom hanging over the sector. In the case of Next, a stellar performance over the holidays cannot be taken as a guide to the overall performance of clothing stores, which suffered from an unseasonahly warm spell of weather. However, strong third-quarter sales at Boots, despite the absence of flu epidemics, supports anecdotal evidence from suppliers of a pick-up in activity. A Christmas eve that fell on Saturday encouraged last-minute shopping, and John Lewis is estimated to have recorded year-on-year sales growth in the week before Christmas of nearly 30 per cent. The clear message is that warm weather and higher taxes have not cut too deeply into current year earnings, as anticipated hy the stores sector's derating in recent months.

It is therefore surprising that after an initial upward spurt, Boots and Next shares fell yesterday. This reflects concern over the absent 'feel-good' factor among consumers; the impact of increased tax in the first half of 1995; and a recovery in the level of savings.

Nonetheless, all is not hleak. Consumer spending may grow at below 3 per cent this year, hut retailers have further scope to take business from independent stores and there is room for more cost reduction. Some stores will suffer, but Next has demonstrated that the right formula can lead to success. In addition, many stores are becoming casb positive, providing the prospect of dividend growth's out-pacing earnings. Election-induced tax cuts could prove a late-1995 confidence booster. That should combine to prevent any post-Christmas hangover.

Japanese auto sales

The increase in Japanese domestic vehicle sales during 1994, the first rise in four years, augurs well for the country's beleaguered automotive industry. But its significance should not be overstated. Compared with the 16 per cent annual growth of the late 1980s, a 0.5 per cent improvement is but a tiny bounce off the bottom. Continuing sluggish demand means the record sales of nearly 6m vehicles achieved in 1990 may not be surpassed this decade.

Demand in Japan is unlikely to emulate the rapid recoveries in the US and Europe. Last year's tiny upturn was generated mostly hy a strong increase in demand for heavy goods vehicles rather than any rise in consumer confidence. Micro-cars, a low margin sector that does little to enhance the sector's profitability, are virtually the only other vehicles selling well.

If the industry's domestic performance is hardly set for take-off, its overseas prospects are little better. In Europe, Japanese manufacturers, shackled hy the strength of the yen, are losing sales. In the US, they are regaining market share, hut promotional costs are high. The industry will eventually recover, but the automotive sector's 40 per cent rise in the past year is overdone.

Star TV

The tie-up between four of the developed world's largest music groups and Asia's higgest satellite hroadcaster looks positive for everyone except Star's former partner, MTV. Star TV's music channel had been one of its least profitable. And after the break-up with MTV last May, it risked losing further ground from MTV's competitive service. Star needed to cement links with a substantial music group to gain better access to programming. The vast stable of musicians owned hy Thorn EMI, Bertelsmann, Sony and Warner will give a definite edge.

For the music companies themselves, Star provides access to a small but increasingly attractive market. Advertising income from their music channel may not swell coffers, but the chance to promote artists to 220m potential viewers must excite. Asia, excluding Japan, accounted for 6 per cent of world recorded music sales in 1993. Increased wealth and exposure to western media, comhined with political initiatives to counter piracy, could fuel substantial growth.

For MTV this deal is a blow. Losing the Star link did not hurt, given low revenues; but facing up to a radically strengthened competitor will make life difficult. The fact is that Asia may represent an eventual El Dorado for the entertainment industry. But competition is growing fast, while political impediments to Western culture remain. Not everyone will find gold.

FT WEATHER GUIDE

Europe today

High pressure over tha Gulf of Biscay will bring settled conditions to central and eastern parts of the British Isles. There will be sunny periods and brief rain showers in a few places. There will be snow in the Low Countries and in France later in tha day.

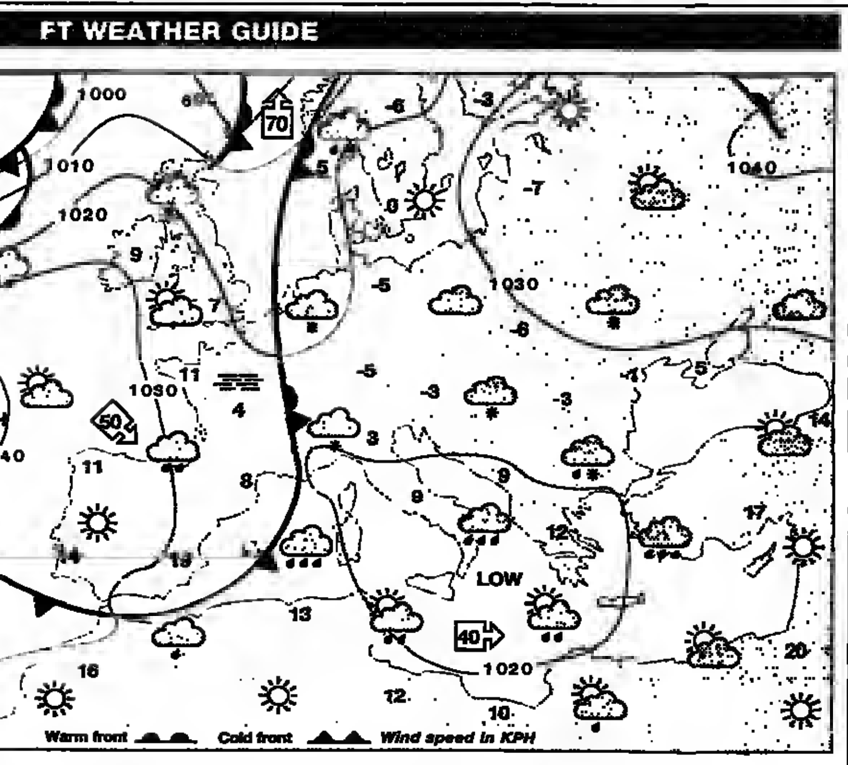
Rain showers are expected in northern Spain while other parts of the country will have sunny conditions and temperatures reaching almost 20C on the south coast. Sunny periods are expected in central Europe.

Cloud over south-eastern Europe will bring snow from northern Greece to southern Romania. Rain will spread from southern Italy to Turkey.

Five-day forecast

Frontal systems from the Atlantic will move through the British Isles and Scandinavia. These regions will be unsettled with periods of rain and strong south-westerly winds. A ridga of high pressure, extending from Russia to Spain, wilt bring settled conditions to eastern and central Europe, Spain and Portugal. Snow and rain will linger in the Balkan states and tha eastern Mediterranean.

Cloud and rain are expected to continue in most parts of tha central Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	sun	33
Algiers	rain	13
Amsterdam	cloudy	-1
Athens	rain	14
Atlanta	rain	7
B. Aires	fair	27
B.ham	fair	6
Bangkok	fair	33
Barcelona	cloudy	12

Beijing	fair	5
Belfast	fair	6
Belgrade	cloudy	-2
Berlin	fair	-6
Bermuda	cloudy	20
Bogota	fair	21
Bombay	cloudy	32
Brussels	cloudy	-1
Budapest	fair	0
C.hagen	fair	-1
Cairo	fair	20
Cape Town	sun	28

Caracas	sun	30
Cardiff	fair	7
Casablanca	sun	16
Chicago	snow	-1
Cologne	fair	-3
Dakar	sun	25
Dallas	cloudy	12
Delhi	fair	20
Dubai	fair	23
Dublin	fair	7
Dubrovnik	shower	9
Edinburgh	fair	5

Faro	sun	15
Frankfurt	fair	-6
Geneva	snow	-3
Gibraltar	sun	15
Glasgow	cloudy	6
Hamburg	fair	-5
Helsinki	sun	-3
Hong Kong	sun	18
Honolulu	fair	27
Istanbul	rain	8
Jakarta	cloudy	30
Jersey	cloudy	8
Karachi	sun	26
Kuwait	fair	19
L. Angeles	fair	17
Las Palmas	fair	21
Lima	fair	27
Lisbon	fair	13
London	cloudy	8
Lux.bourg	fair	-5
Lyon	snow	-2
Madeira	sun	15

Madrid	fair	11
Majorca	shower	12
Malta	shower	12
Manchester	fair	8
Manila	cloudy	30
Melbourne	shower	25
Mexico City	fair	18
Miami	fair	28
Milan	fair	3
Montreal	cloudy	0
Moscow	cloudy	-4
Munich	sun	-6
Nairobi	fair	26
Naples	fair	9
Nassau	fair	27
New York	fair	5
Nice	shower	8
Nicosia	fair	16
Oslo	snow	-1
Paris	rain	2
Perth	fair	34
Prague	fair	-6

Rangoon	fair	29
Reykjavik	snow	-3
Rio	fair	29
Rome	fair	9
S. Frsco	cloudy	14
Seoul	fair	3
Singapore	shower	32
Stockholm	fair	-1
Strasbourg	cloudy	-5
Sydney	shower	27
Tangier	fair	16
Tel Aviv	fair	22
Tokyo	fair	2
Toronto	cloudy	0
Vancouver	fair	6
Venice	fair	4
Vienna	fair	-4
Warsaw	cloudy	-7
Washington	fair	4
Wellington	sun	15
Winnipeg	sun	-17
Zurich	cloudy	-6

FINANCIAL TIMES
COMPANIES & MARKETS

Friday January 6 1995

IN BRIEF

Trygg-Hansa cool on renewed offer

Trygg-Hansa, the Swedish insurance group, reacted coolly to a renewed offer for Home Holdings, its troubled US associate, from a group of US investors whom Trygg spurned last month in favour of an agreement with Switzerland's Zurich Insurance group. Page 18

French drugs group sells Lipha stake
Rhône-Poulenc, the French chemicals and pharmaceuticals group, has agreed to sell its 43 per cent stake in Lipha, the pharmaceuticals company, to E. Merck, the German drugs group. Page 18

Ford plans global family car
Ford, the US carmaker, is embarking on a multi-billion dollar programme to develop a small family car for production in Europe, North and South America and possibly in Asia. Page 18

Seagram buys fruit-juice unit
Seagram, the international drinks group, is strengthening its global fruit-juice operations by buying Dole Food's juice businesses in North America, Europe and Asia for $285m cash. The move will lift Seagram's annual juice sales to about $1.9bn from more than $1.5bn. Page 18

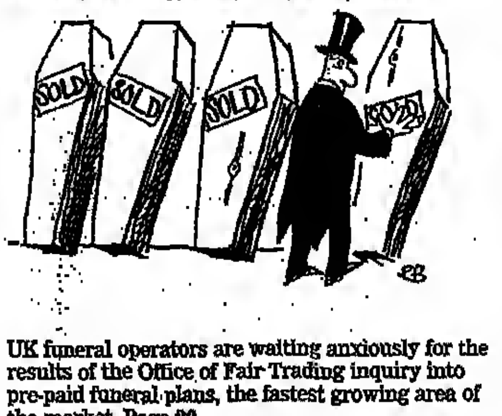
Dyno sells fuel tank business
Dyno Industrier, the diversified Norwegian group, is selling its European automotive fuel tank business to Michigan-based Walbro Automotive Corporation for an undisclosed sum. Page 18

UBS share battle hurts market
Dismay is growing in Swiss financial circles over the increasingly bitter battle between the directors of Union Bank of Switzerland and its largest shareholder, BK Vision. Page 18

Colonial plans to end mutual status
Colonial Group, a financial services organisation with its main businesses in Australia and the UK, is to change its ownership structure from mutuality to become a listed company. Page 20

Sales bring seasonal cheer to retailers
Boots, the UK chemist and retailing group, reported *a 6.1 per cent increase* in sales for the three months to December 31, suggesting a reasonable, if unspectacular, Christmas for retailers. Page 20

Funeral groups await judgment day



UK funeral operators are waiting anxiously for the results of the Office of Fair Trading inquiry into pre-paid funeral plans, the fastest growing area of the market. Page 20

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Asko Prf	855	+	11	BIC	690	+	11
Beiersdorf	990	+	15	Fonc Lyon	748	+	18
Lahmeyer	580	+	15	Vallourec	247.5	+	8.4
PWA	243.5	+	8.5	Falls			
Varta	294	+	5.2	Banc Comp	500	-	24
Falls				Danone	731	-	20
GEHE	545	-	10.5	SLIC	691	-	24
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Dillard	25¼	+	½	Honshu Ppr	688	+	23
Dole	24¾	+	¼	Kinden	1710	+	80
Kemper	41¾	+	2¼	Falls			
JC Penney	43	+	¾	Daikyo Inc	764	-	27
Wal-Mart	22	+	⅛	JEOL	740	-	29
Falls				Maruha Corp	377	-	13
Sears	47¼	-	⅛	S'tomo Rlty	582	-	28

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Falls			
APV	53	+	3½	Argyll	258	-	7
Abbey	150	+	10	BSkyB	245½	-	10
African Lakes	77	+	7	E Midlands Elect	819	-	15
[illegible] Dolphin	119	+	5	[illegible]	334	-	9
Danka Business	363	+	14	Monarch Res	165	-	5
Dixons	193	+	6	Norweb	825	-	15
Geest	182	+	12	VideoLogic	49	-	5
Oxford Molecular	76	+	7	Wellcome	667	-	19
[illegible]	60	+	9				
Vardy (Reg)	166	+	14				

Lehman profits tumble in quarter

By Richard Waters in New York

Lehman Brothers of tha US yesterday ushered in a weak results season for investment banks and commercial banks which are active in the financial markets.

Rounding off a poor year in the markets, the investment bank reported post tax-profits of just $46m in its fourth quarter, or a return on capital of only 5 per cent. In the three months to December 31, 1993 the profit was $114m.

Net income for the three months, which benefited from a fall in the company's effective tax rate to under 30 per cent, was equivalent to 32 cents a share. For the 11-month period the bank reported net income of $113m, or 69 cents a share, compared with $355m for the full 12 months to the end of 1993.

A number of banks have already warned of weak trading results in the latest period, including J.P. Morgan and Bankers Trust.

Lehman, which was spun off from American Express last summer, is unusual in having a November 30 end to its financial year, making it the first bank to report its year-end results.

The bank blamed its figures on volatile and thinly traded financial markets in the US and overseas. Also, its revenues suffered from the steep decline in underwriting last year, as companies and other issuers stayed away from the securities markets in the face of a general bond market collapse and weakness in equity prices.

Faced with a steep fall-off in revenues and a cost base that was far higher than most competitors, Lehman also reported considerable headway in slashing costs in recent months. Led by a reduction in its workforce over the year of nearly 900 people, to 8,512, the bank reined in costs. Largely as a result, the stock market rewarded the bank with a $1 rise in its share price yesterday morning to $15.

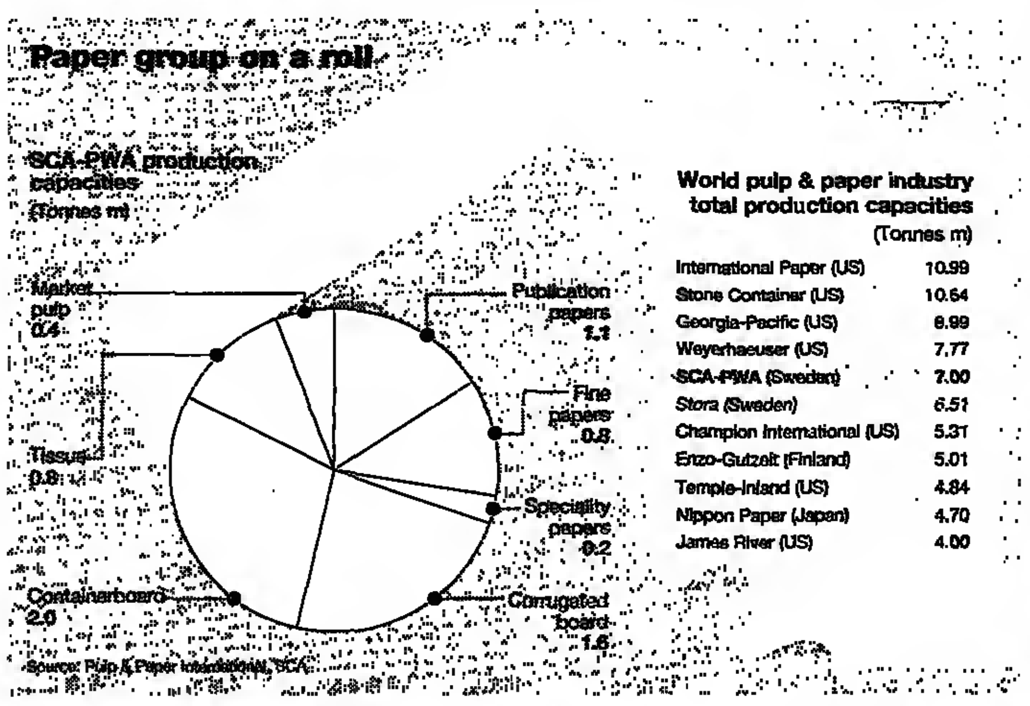
Mr Richard Fuld, chairman and chief executive, said the bank had suffered in equity, foreign exchange and corporate and municipal bond markets. However, he added that income from trading government and mortgage-backed bonds was higher than it had been in the final three months of 1993, and that the bank had not lost any money from the devaluation of the Mexican peso, which took place after its financial year-end.

In all, trading income for the latest three months was $291m, down from $382m a year before.

Investment banking income, meanwhile, slipped 39 per cent to $151m from a year before as the boom in new equity and bond issues from 1993 came to an end. Despite this, the bank said that fees from advisory work had climbed, aided by an increase in mergers and acquisitions.

Christopher Brown-Humes and Hugh Carnegy report on the Swedish group's latest purchase

SCA's deal reinforces its paper empire



When Mr Sverker Martin-Löf, the chief executive of Sweden's SCA, hoisted the overhead slides at yesterday's presentation of his company's DM1.2bn ($760m) purchase of a controlling stake in Germany's PWA, one stood out clearly from the others.

It showed SCA, the second-biggest Swedish forestry group, vaulting over its rival Stora, the group controlled by the Wallenberg family, to become Europe's biggest producer of pulp and paper products and the fifth largest in the world.

The announcement that SCA was buying 60 per cent of PWA was the latest move by the group over the past 18 months to strengthen its position as the pulp and paper industry has moved from deep recession to strong recovery.

The big Swedish and Finnish players hava made a strong return to profitability following a sharp rise in demand and prices for forest products: from timber, through pulp used for making paper, to packaging materials, newsprint and fine papers.

"There has been a dramatic improvement in the ability of companies to take over other companies and I expect there to be a further concentration in the sector," said Mr Denis Christie, pulp and paper specialist with James Capel in London.

For SCA, the deal with PWA is its most audacious since it bought Reedpack, a UK forestry products company, for £1bn ($1.56bn) in 1990. Throughout the recession, SCA performed better than many of its European rivals, thanks chiefly to Mölnlycke, its subsidiary making hygiene products which was less prone to the cyclical downturn in the forestry industry. It remained financially strong and is expected to return pre-tax 1994 profits of up to SKr2.3bn ($309m).

Over the past 18 months SCA has engaged in a SKr3bn investment programme, building a newsprint plant in England, upgrading a Swedish newsprint plant and adding recycling capacity to a plant in Austria.

Last year, SCA was set to spend FFr2bn ($373m) for control of Otor, one of France's biggest packaging companies, until it pulled out in a dispute over the price. Now it has turned to Germany to extend its ambitions.

There are three main justifications for SCA taking control of PWA. First, it enhances SCA's strengths in packaging and tissue products. The two companies combined will become Europe's biggest producer of corrugated products and containerboard. Mölnlycke and PWA together will be the second-biggest producer of tissue products in Europe.

Second, in one stroke SCA achieves a strong market position in Germany, an important area where it has been very weak. PWA's distribution systems in Germany and Austria will also be a big asset for SCA, not least for Mölnlycke's nappies which face competition from US giants such as Procter & Gamble and Kimberley Clark.

Finally, SCA insisted that the deal, to be loan-financed, had financial as well as strategic advantages because it would make a positive contribution to earnings from day one.

Now SCA has turned to Germany to extend its ambitions

But analysts had doubts yesterday about the acquisition. Some queried SCA's profit forecast for PWA, which made a hefty loss in 1993 and will show only a modest profit in 1994.

Mr Martin-Löf stressed that SCA was paying a fair price, saying it represented a price-to-earnings ratio of 11 times anticipated 1995 profits. Critics said this attitude was prompted by accusations in 1990 that SCA had heavily overpaid for Reedpack.

They pointed out that SCA's calculations of DM25.5 earnings per share at PWA in 1995 were based on international accounting procedures which flattered earnings compared with German accounting rules. But SCA said its figures were fully justified given the strength of recovery under way in PWA, especially within its fine papers division.

Analysts also questioned the decision by SCA not to bid for 100 per cent of PWA to rule out any possible dissent over future strategy by minority shareholders. SCA's answer was that it did not anticipate making any fundamental changes in PWA and it wanted to preserve PWA's German identity and profile.

Less easy for SCA to rebut is the criticism that it is spreading itself too broadly just as the industry trend is towards a tighter focus on a narrow range of products. SCA now covers almost the complete spectrum of forestry products, from timber to tampons. The PWA deal has added two more product lines in the form of graphic and specialty papers. Only last month, SCA announced a SKr1.3bn rationalisation at Mölnlycke to stem losses in its nappy operations. SCA will have to prove it can successfully manage such a broad range of interests.

However, observers were united in one positive assessment of the deal. An industrywide fear is that cash-rich companies will invest in new capacity which, when the cycle turns downward, will depress prices and aggravate losses, as happened in the early 1990s. The SCA-PWA deal instead represents a healthier consolidation within the industry.

Lex, Page 16

France lines ups Seita for sell-off

By John Ridding in Paris

The French government yesterday moved towards the privatisation of its state tobacco monopoly, Seita, when it published a decree to launch the sale process.

The move prompted speculation that the privatisation of Seita, valued between FFr5bn and FFr6bn ($900m-$1.1bn) could precede the sale of Assurances Générales de France (AGF), the insurance group which has had its sale delayed by adverse market conditions. The fall in the bond market has prompted a sharp decline in the insurer's share price.

Mr Edmond Alphandéry, the economy minister, said that a decision on the first privatisation of 1995 would be taken in the next few weeks. He played down speculation that Usinor Sacilor, the steelmaker, would also be sold in the near future.

Yesterday's decree, which appeared in the Official Journal, confirmed that the government would go ahead with the privatisation of Seita, best known for its Gauloises and Gitanes brands.

Officials at the economy ministry said an independent body which advises the government on the sale of public sector assets, would carry out an official valuation of the company.

Industry observers believe the government will retain about 10 per cent of the company, selling just under 50 per cent to the public and about 35 per cent to a group of long-term stable shareholders. The balance will be offered to company employees and tobacconists.

Mr Alphandéry has indicated that Seita will have to maintain long-term agreements to buy tobacco from French farmers. This is of particular concern in south-western France where the dark tobacco used in Gauloises and Gitanes is produced.

In recent years, Seita has diversified its products, introducing lighter and lower nicotine cigarettes to compete with foreign rivals.

The French government, which listed 21 public sector companies for sale in spring 1993, has set itself a target of FFr55bn in privatisation receipts for 1995.

The target may be difficult to achieve, however, as many of the biggest and most attractive companies on the list, such as Elf Aquitaine and Banque Nationale de Paris, have already been sold.

Star TV enters joint venture to strengthen music channel

By Simon Holberton in Hong Kong and Alice Rawsthorn in London

Star TV, Mr Rupert Murdoch's satellite broadcaster in Asia, has formed a joint venture with four of the world's leading entertainment groups to develop Channel [V], its music channel.

The Star deal – which involves subsidiaries of Japan's Sony, Warner of the US, Germany's Bertelsmann and Thorn EMI in the UK – is the latest international initiative by the entertainment industry to challenge MTV's dominance of the satellite music market.

MTV, which is owned by Viacom, the US media group, until recently broadcast its Asian service on Star. It ended that agreement last April after failing to agree terms to renew the contract. Star immediately launched Channel [V] as a replacement service as all the old MTV Asia staff, including the presenters, were contracted to it rather than MTV.

Channel [V] transmits two distinct services: one targeting the Chinese-speaking area in north-east Asia; the other a more international service for the rest of Star's viewers. It claims to reach 220m people across Asia, India and the Middle East.

However, Star has been keen to improve its programming by joining with the big entertainment groups. It has been in negotiations with Sony, Warner, *Bertelsmann* and *Thorn EMI* since May.

Under the terms of the joint venture, these companies will continue to supply videos to other channels. Star hopes that their involvement in Channel [V] will enable it to gain access to their material, such as first rights to show new videos.

The deal is also intended to strengthen Channel [V]'s position before MTV relaunches its Asian service. MTV introduced a new channel in India last October and plans to launch two 24-hour Asian services in "early 1995", according to Mr Bill Roedy, president of MTV Networks International.

MTV also faces increased competition from entertainment companies in other international markets. The four groups involved with the Star deal last *year teamed up with* PolyGram, the UK music company, to launch Viva, a music channel competing directly against MTV in Germany.

Lex, Page 16

UK property fight heightens

By Simon London and Christopher Price in London

The battle for Broadgate, one of London's most prestigious office developments, intensified yesterday with an increased offer for Rosehaugh, one of the property's joint owners.

Bankers to Rosehaugh, the developer which went into receivership in 1992, met yesterday to consider a higher offer from PosTel, the post and telecommunications pension fund, for the company's half-share in Broadgate Properties, owner of 1.5m sq ft of the landscaped complex of offices, banks and shops.

The PosTel move comes a day after it emerged that the fund had made a renewed attempt to rescue Stanhope, Rosehaugh's partner, which is fighting to stave off receivership, as part of a fresh initiative to secure control of all of Broadgate.

The meeting broke up last night with no announcement.

Bankers to Stanhope, which are owed about £148m ($231m), withdrew the group's credit facilities on December 23. Since then, the company has been existing with some unofficial support from its main bankers while last-minute rescue talks continue.

Stanhope's battle for survival is probably the last struggle left over from the collapse of the 1980s commercial property market boom. The Broadgate development became the most successful office development *since* the second world war. However, like most property companies of the period, both Stanhope and Rosehaugh took on too much debt and suffered when property prices turned down in the 1990s.

PosTel offered a £250m rescue package for Stanhope last month, which would have allowed the company substantially to repay its banks and buy the 50 per cent of Broadgate Properties it does not already own. As part of the deal, PosTel offered about £106m for Rosehaugh's share, an offer rejected by the banks, which are owed more than £250m. The receiver, Mr Roger Oldfield at KPMG Peat Marwick, with the support of Rosehaugh's banks, asked for at least £110m.

Sources close to yesterday's discussion say the negotiations are now delicately poised. Even if Rosehaugh's bankers accept the latest PosTel offer, Stanhope's bankers still have to approve the latest rescue plan.

Trygg-Hansa cool on renewed offer

By Hugh Carnegy in Stockholm

Trygg-Hansa, the Swedish insurance group, yesterday reacted coolly to a renewed offer for Home Holdings, its troubled US associate, from a group of US investors whom Trygg spurned last month in favour of an agreement with Switzerland's Zurich Insurance group.

Mr Per Mossberg, a senior executive at Trygg, said the revised US proposal did not appear to represent an improvement on the Zurich agreement.

"We have to analyse the new bid in detail, but the judgment from our side today is that the Zurich agreement is still better for Trygg-Hansa," he said.

The fate of Home Holdings, which has cost Trygg up to SKr5bn ($672m) in losses since the Swedish insurer bought into the company in 1991, has become a tug of war between Zurich and the US group, led by Mr Jack Byrne, chairman of Fund Amarican, a Vermont-based financial services group.

In a bid to regain the initiative, Fund American and its partners, Trident Partnership and Hellman & Friedman, have offered to buy out the 30 per cent portion of Home traded on the New York Stock Exchange – about 9m shares – for $10.50 per share, a premium over the price of $10 a share offered as part of the Zurich bid.

The Fund American group is otherwise sticking by its original proposal to inject $420m new capital into Home, while Trygg wrote off a $170m loan to Home. The US group would also gradually buy out most of Trygg's 64.5 per cent stake in Home.

Trygg initially accepted this proposal, but rejected it after Christmas in favour of a new bid from Zurich. Zurich effectively offered to take over Home.

Its bid involved no new capital injection for Home and involved an eight-year conditional buy-out of Trygg's share.

However, it was structured in such a way that Trygg's own total loss from its Home investment would be limited to SKr4.5bn, from a SKr5bn loss under the US investors' proposal.

Trygg's continued favouring of the Zurich agreement is based on the lower losses it will face under that deal and also on Zurich's offer of a strategic alliance between Trygg and Zurich in Europe which could offer important business opportunities for Trygg's corporate clients.

However, a factor in the US group's favour has been the reaction of rating agencies, whose approval of Home's claims-paying ability is vital to its commercial viability. Standard & Poor's, the US agency, has signalled its preference for the revised US bid, because it involves a recapitalisation of Home.

French drugs group sells Lipha stake to E. Merck

By Daniel Green

Rhône-Poulenc, the French chemicals and pharmaceuticals group, has agreed to sell its 43 per cent stake in Lipha, the pharmaceuticals company, to the majority shareholder, E. Merck, the German drugs group.

The price has not been finalised but is likely to be about FFr1.5bn ($280m). Merck said the deal should be concluded "within eight to 10 days".

Rhône-Poulenc has been keen to sell Lipha which it acquired with Co-operation Pharmaceutique Française (Cooper), a French drug distributor.

Merck had said it was interested in buying out its junior partner.

Lipha had 1994 sales of more than FFr3bn and was profitable, said Rhône-Poulenc. It made FFr306m profit on sales of FFr2.82bn in 1993.

Among its attractions are a licensing agreement with Bristol-Myers Squibb, the US pharmaceuticals company, for the marketing of Lipha's diabetes treatment Glucophage in the US.

Merck bought a controlling stake in Lipha from L'Air Liquide, the French industrial gases company, in 1991.

The sale of the stake would still leave Rhône-Poulenc committed to the drugs industry through Rhone-Poulenc Rorer in the US and Institut Merieux, the vaccines specialist, in France.

These two accounted for more than 40 per cent of Rhône-Poulenc's sales in 1993.

Ford plans global family car to replace Escort range

By Kevin Done, Motor Industry Correspondent, in Detroit

Ford, the US carmaker, is embarking on a multi-billion dollar programme to develop a small family car for production in Europe, North and South America and possibly in Asia.

The project, code-named CW170, will develop a car to replace the group's European and North American Escort ranges, which have little in common apart from the name.

The new car, which is expected to go into production in 1998-99, will be the most important volume car developed by Ford, and is expected to have a production capacity worldwide of more than 1m units a year.

It will be produced at plants in the UK and Germany, in the US and Mexico, and in South America, either Brazil or Argentina.

The car will be the first substantial result of the US carmaker's Ford 2000 restructuring programme, which has merged its North American and European businesses into a single Ford automotive operations organisation. This scheme formally took effect on January 1.

The company is planning how to merge its Asian, South American and African operations into the same global organisation.

The development programme for the Escort world car will be carried out by Ford's new global vehicle centre for small- and medium-sized front-wheel drive cars, located in Germany and in the UK. It will replace the separate regional projects planned by Ford.

The existing North American Ford Escort, launched at the end of the 1980s, was developed and engineered by Mazda, Ford's 25 per cent-owned Japanese affiliate, while the Escort sold in Europe and launched in 1990 was developed by the former Ford of Europe organisation at its technical centres in Germany and the UK.

Mr Ed Hagenlocker, president of Ford automotive operations, said the Ford 2000 project was "about eliminating duplication".

"Why should we spend time and money developing two four-cylinder engines that are virtually identical and power the same kind of car? Yet that's exactly what we've been doing in Europe and in North America. We can no longer afford duplicate design and engineering efforts.

"There are large benefits if we can design and engineer a major component once and manufacture it in larger volumes to serve multiple markets."

The new generation Escort could also be produced in Asia. Ford is seeking to establish vehicle manufacturing joint ventures in emerging markets such as China and India, which are expected to provide the main impetus for growth in the world car market in the next 20 years.

The Escort small family car sector is the biggest segment of the world car market and accounts for around one-third of world car sales. The sector is led by the Toyota Corolla with a production volume of around 1.2m.

Eli Lilly and Genentech settle dispute

By Richard Tomkins in New York

Eli Lilly, the US drug manufacturer, and Genentech, the US biotechnology company, yesterday said they had settled an eight-year legal dispute over the rights to a genetically-engineered growth hormone.

In an out-of-court settlement, the two have agreed that Eli Lilly will pay Genentech $145m to settle all claims and counter-claims between the companies, consisting of an initial payment of $25m and 16 quarterly payments of about $7.5m starting in March.

Eli Lilly said the payments would have no effect on its operating results because it had made provision for them in its financial statements. Its shares rose $⅛ to $65¼, while Genentech's rose $⅜ to $46½ before the close in New York.

The drug at the centre of the dispute is used to counter dwarfism in children suffering from growth hormone deficiency. Genentech says the market for it is worth about $300m a year in the US and $1bn a year worldwide.

Some US research scientists have suggested the drug could also reverse the ageing process. If this were so, the market for it could be vast, but the claims have not yet been substantiated.

Genentech was first on the market with the drug when it launched its version, called Protropin, in 1985. Soon afterwards, Eli Lilly entered the market with a slightly different version of the drug called Humatrope. In 1987, Genentech launched a legal action against Eli Lilly claiming patent infringement.

Under the terms of the settlement, each company will continue to market its version of the drug.

Seagram buys fruit-juice unit

By Robert Gibbens in Montreal

Seagram, the international drinks group, is strengthening its global fruit-juice operations by buying Dole Food's juice businesses in North America, Europe and Asia for US$285m cash. The move will lift Seagram's annual juice sales to about $1.9bn from more than $1.5bn.

The deal includes Dole plants in the US and Europe and joint venture interests in Japan and China – including a new packaging plant in Guandong – but excludes Dole's pineapple juice operation.

Seagram will merge tha Dole assets with its Tropicana Juice subsidiary, but the Dole brand name will be retained.

"We will be able to capitalise on the many juice growth opportunities worldwide," said Mr Edgar Bronfman Jr, Seagram president.

Last year, half of Dole's juice sales were international against 18 per cent for Tropicana. The combined business will have nearly 25 per cent of sales outside the US.

Analysts said the price was high in terms of Dole sales, but strategically the deal was favourable since Seagram broadens its juice product line and expands international distribution.

Seagram is also contracting out production and bottling of wine at its Barton & Guestier unit in France to Cordier, a subsidiary of Suez, the French financial services group. Seagram retains the B&G trademark and will concentrate on marketing the brand worldwide.

Seagram owns almost 25 per cent of the Du Pont chemicals and energy group and 15 per cent of Time Warner, the US media and entertainment group.

● Talisman Energy, the former BP Canada, has sold its Hatton oil and gas properties in southern Saskatchewan in a deal worth nearly C$200m (US$143m) and is pulling out of Cuban exploration to concentrate its overseas efforts on the North Sea and Indonesia.

The Hatton fields, which were sold to an undisclosed buyer, were acquired with Talisman's C$1.8bn takeover of Bow Valley Energy a year ago.

UBS share battle hurts market

By Ian Rodger in Zurich

Dismay is growing in Swiss financial circles over the increasingly bitter battle between the directors of Union Bank of Switzerland and its largest shareholder, BK Vision.

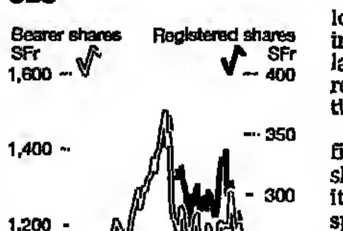
Bankers say the battle is not only driving down the price of UBS shares, but hurting the whole market.

"It is not good to have a blue chip such as UBS dragged down so far," one Zurich analyst said yesterday.

UBS bearer shares have fallen 6 per cent this week to SFr1,023 and the registered by 9.4 per cent to SFr235.

The bank's confirmation on Friday that it had bought SFr450m ($343m) of its registered shares during a proxy battle in October has raised fears of wider legal challenges to its plan for a unified share structure.

UBS



Source: Datastream

"If it comes out that the bank made mistakes, then its image will be hurt. UBS is still a triple A bank, but a threat to its status is inherent in this situation," said Ms Susanne Borer, banking analyst at Bank Vontobel in Zurich.

Swiss authorities are already looking at the transaction and investigating if bank secrecy laws were breached in the revelation of the vendor's identity.

BK Vision, which is about to file a legal challenge of the share unification scheme, said it also intended to ask for a special audit of the transaction.

"Everyone knew this could not be settled quickly, but for investors, it means that it is better to stay away," said Mr Pierre Tissot of bankers Lombard, Odier in Geneva.

● OZ, the options and futures subsidiary of the BZ banking group, has reported a SFr13m loss for 1994 which compares with a profit of SFr80.5m in 1993.

In the fourth quarter, income from securities and commissions both improved and the loss was only about SFr0.5m.

AT&T, Birla to bid for India telecom licences

By Shiraz Sidhva in New Delhi

AT&T, the largest US telecommunications operator, and the Aditya V. Birla group, one of India's largest industrial houses, have signed a memorandum of understanding to examine jointly telecoms services in the Indian market.

The proposed alliance will bid for licences to provide basic and cellular services to business and private customers based on regulatory and tender conditions to be announced by the Indian government on January 16.

The companies plan state-of-the-art communications capabilities for India, which has only recently opened up to foreign investment. India's market offers tremendous potential, with less than one telephone per 1,000 people in a country with a population of 900m.

They are examining various areas, including Delhi, Gujarat, Karnataka and Maharashtra, the four busiest of India's 20 telecommunications circles.

"The specific bids to be submitted by the alliance will be influenced by the financial viability and terms and conditions of tenders" issued by the government, the companies said. Decisions on the bids are expected by the middle of this year.

AT&T has provided international long-distance services in India for the last 25 years.

The Aditya V. Birla group is made up of several blue-chip Indian companies, and the alliance with AT&T will be its first foray into the telecommunications business.

Fighting in Chechnya takes toll on publicly-traded Russian debt

By John Thornhill in Moscow and Richard Lapper in London

Publicly-traded Russian debt has slid sharply in recent weeks amid growing investor concern about the fighting in Chechnya and a general sell-off of distressed emerging markets debt in the wake of the Mexican devaluation last month.

Since the Chechen crisis erupted five weeks ago, Russian debt has fallen to 24.5 cents in the dollar from 32 cents – a 23 per cent fall, which exceeds the market average.

Yesterday Russia failed to benefit from a minor rally in the market for Brady bonds, paper issued by governments in exchange for distressed bank debt.

Three popular Latin American Bradies increased in price in London trading. Mexican par bonds and Brazilian IDUs both closed up ½ a cent, while Argentine floating rate bonds (or FRBs) ended the day ¼ of a cent higher.

But after failing to sustain an early rally – attributed by traders to short covering – Russia's Vneshekonombank dollar loans drifted down to new lows, losing about ½ a cent on the day.

Traders said general nervousness about emerging markets was aggravated in Russia's case by political concerns and scepticism about the country's ability to meet payments on its foreign debt.

Buyers for the paper have virtually disappeared. Mr John Gibbens, a trader with Morgan Grenfell in London, said: "There are just no buyers. Most of the market is very sensitive. People are still frightened to death about Mexico and there is a question mark about how much new money is coming into the market."

Traders said it had been expected that Russia would pay its creditor banks $100m in overdue interest before the end of 1994. But the money had so far failed to materialise, they said.

Some market analysts have compared the Chechen crisis in Russia with Mexico's problems with the Zapatista rebels in the southern state of Chiapas. "If you think that every tank is supposed to cost $5m, then every 20 tanks that are destroyed means one less payment to western creditors on foreign debt," one emerging markets specialist said.

Russian Minfin bonds have also been under severe selling pressure in recent days, which will complicate the Russian government's efforts to plug this year's budget deficit by selling debt. "A lot of the western institutional buyers have started to panic, but on the buy side, Russian institutions have been quietly picking up the debt," one trader said.

Rising inflationary expectations and worries about the Chechen situation have also unsettled the rouble which has fallen to a three-month low. The rouble traded at 3,623 to the dollar on the Moscow Interbank Currency Exchange yesterday, down from 3,571 on Wednesday.

Fears that the government will have to appease the army's demands for higher spending have concerned currency traders, following the rise in monthly inflation to 16.4 per cent in December.

British Rail chief joins UK retailer

By Neil Buckley and Charles Batchelor in London

Sir Bob Reid, chairman of British Rail since 1990, is switching from railways to retailing with his appointment as chairman of Sears, the UK stores group.

Sir Bob replaces Mr Geoffrey Maitland Smith, who will step down from the chairmanship at Sears' annual meeting in June – eight months before the end of his contract.

The BR chairman's five-year contract expires on March 31, and he will become Sears' chairman designate the following day.

Asarco names two for MIM board

By Nikki Tait in Sydney

Asarco, the North American resources group, has exercised its right to nominate two directors to the board of MIM Holdings, one of Australia's largest mining companies.

The decision comes a day after the surprise resignation of MIM's 57-year-old chief executive, Mr Norman Fussell.

Asarco, which has a 15 per cent stake in MIM, has had the right to nominate two board appointees since 1985, but has never used this prerogative.

Its chosen directors will be Mr Richard de Osborne, Asarco's executive chairman, and Mr Willard Butcher, an Asarco non-executive director.

Asarco's move prompted speculation yesterday that Mr Fussell, who cited "onerous" travel and health-related strains for his decision, might have been pushed into leaving, and MIM shares closed 5 cents higher at A$2.14 on the Australian Stock Exchange.

Until a year ago, MIM's large but poorly-performing investment portfolio had been the subject of much criticism. Most of this has now been sold and MIM has said it will concentrate on developing core mining assets.

As part of that process, MIM disposed of a 24.8 per cent shareholding in Asarco two months ago.

The stake had been acquired in two tranches in the early 1980s, the second purchase being made when Asarco was threatened with takeover.

Reciprocal rights to board appointees were agreed in 1985, but while MIM took up its option and had two directors on the Asarco board, Asarco did not follow suit.

MIM's exit from Asarco's share register led to some suggestions that the US company would also sever ties.

However, Mr Bruce Vaughan, MIM's chairman, said he viewed the shareholder's request for board appointees as a "significant commitment".

Asarco and MIM have long links. It was Asarco who, in the 1930s, appointed Mr Julius Kruttschnitt to manage the development of Mount Isa on which MIM's fortunes were built.

Walbro buys Dyno's European automotive fuel tank division

By Karen Fossli in Oslo

Dyno Industrier, the diversified Norwegian group, is selling its European automotive fuel tank business to Michigan-based Walbro Automotive Corporation for an undisclosed sum.

Dyno supplies plastic fuel tank systems to most of Europe's carmakers, and analysts' estimates of the deal's value range from $100m to $150m.

The sale took the market by surprise because Dyno's fuel tank business has been a big revenue earner and is considered a core activity with strong growth potential.

Dyno said it would concentrate on civil explosives, plastics, adhesives and specialty chemicals.

Walbro is to acquire Dyno's fuel tank division, comprising six plants. The deal should be concluded by mid-March.

Walbro designs and manufactures automotive fuel system components and has supplied Dyno for a number of years. The company is understood to be planning to start production in Europe, following the acquisition. It has a joint venture arrangement with Magneti Marwell of France which it will maintain.

In 1994, Dyno supplied more than 1.3m plastic fuel tank systems, which, together with other blow-moulded components for the automotive industry, yielded a turnover of about $150m. Since 1988, the company has invested about NKr600m ($88.2m) to expand its plant network.

It estimates that total western European fuel tank production will rise to 15.6m units in 1996 from 13.9m in 1991. In 1991, Dyno produced about 700,000 systems but this is forecast to more than double to 1.7m this year.

Mr Arild Ingierd, Dyno's president, said that to remain competitive, Dyno would have had to have made large investments to meet strict environmental demands for the systems, at the expensa of expanding other activities.

This would have meant several hundred million kroner of investment in new technology for pumps and electronics, which are areas outside the company's expertise.

● Awilco, the Norwegian shipping and oil service company, plans an NKr800m rights issue to finance operations, including contracts in the UK sector of the North Sea, Reuter reports from Oslo.

INTERNATIONAL CAPITAL MARKETS

Slow progress on Japan bank debts

By William Dawkins in Tokyo

Japan's leading banks continue to maka slow progress in rednciug their Y13,300bn mountain of bad debts, according to the latest results from the industry's bad loan liquidating agency.

The Co-operative Credit Purchasing Company yesterday announced that it acquired bad loans with a face valua of Y126bn in December, bringing tha total it has bought since being set up by the banks in March 1993 to Y6,874bn.

The banks sell bad debts to the CCPC at a deficit to enable them to book tax deductible losses on these otherwise illiquid assets. In turn, the CCPC attempts to recover some of those losses by selling the collateral backing the loans, usually commercial properties whose values have fallen by more than half since the collapse in asset prices began four years ago.

However, sales of collateral hava proceeded far more slowly than most banks had hoped, as yesterday's agency report shows.

For the loans acquired to data, the CCPC has paid Y3,208bn, 47 per cent of their face value. The average loan is for Y1.7bn.

So far, the agency has recovered a mere Y139.5bn of the total, a sign of the property market's continuing weakness.

European sector declines ahead of US jobs data

By Graham Bowley in London and Lisa Bransten in New York

European government bonds slid lower in thin trading yesterday, led by technical selling in Germany caused by nervousness before US employment data due today.

Weakness in the US, remarks by finance minister Mr Theo Waigel that Germaoy was planning tax cuts of about DM20bn in 1996, and the decisioo by Moody's, the US rating agency, to cut Sweden's long-term foreign currency debt rating to Aa3 from Aa2 reinforced the general negative sentiment.

■ German government bonds plummeted in early afternoon trading after bund futures broke through technical support levels at 88.54, triggering further, technically-motivated selling. Dealers said that poorly absorbed supply from last week's auctioo of 10-year boods was also weighing on market confidence.

GOVERNMENT BONDS

In late trading, the bund future on Liffe was down 0.59 point at 88.15.

■ UK governmeot bonds were dragged lower with bunds, although the spread against German paper narrowed during the day.

Dealers said that 10-year gilts performed relatively well with expectations that the auctioo announcement due later in the month will be of either five-year or ultralong-dated stock, leaving the 10-year area free of supply.

■ Early gains in French government bonds, following a successful auction of FFr18bn 10- and 30-year paper, were reversed later as they fell in line with Germany. The March notional bond future on Matif fell 0.24 point to 109.3.

■ Spanish government bonds moved lower on political and fiscal coocerns and weakness in the peseta, which fell to an all-time low against the D-Mark.

Dealers said that Wednesday's base-rate rise had refocused atteotion on Spain's large budget deficit, funded largely through short-term borrowing. This meant that it would be difficult for the newly-iodependent Bank of Spain to maintain high short-term interest rates, they said.

Dealers reported substantial flows out of the Spanish market, to the benefit of 10-year gilts in particular.

The yield spread against bunds widened to 420 from 414 basis points.

■ The downgrading of Sweden's debt caused Swedish government bond yields to widen out by about 10 basis points, dealers said.

■ US Treasury prices retreated from Wednesday's gains yesterday morning following a weakening dollar and inflation fears.

By midday, the 30-year government bond was down $\frac{7}{16}$ at 95½ yielding 7.887 per cent. At the short end, the two-year note was unchanged at 99⅞, yielding 7.621 per cent.

Although there were some fresh economic data, most traders were waitiog for today's important December employment figures to gauge the strength of the economy and prospects for another interest rate increase by the Federal Reserve.

Economists expect non-farm employment to increase by 260,000. However, if the number is significantly higher it could spur the Fed ioto tightening monetary policy sooner rather than later.

The Fed's open market committee is to meet on January 31 and February 1.

Early in the morniog the tone was set by the weakening dollar, which slumped in trading against the Japanese yen and the D-Mark.

Fears of inflation, however, kept the market from rebounding later in the morning when the dollar bounced back towards late-Wednesday levels.

At mid-morning, the Commerca Department reported that factory orders had grown 2.6 per cent in November after a fall of 0.4 per cent in October.

Economists had expected an increase in the wake of strong economic readings for November from the National Association of Purchasing Management and the Federal Reserve Bank of Philadelphia, but forecasts were closer to a 2.2 per cent rise.

Defaults by issuers of US junk 'lowest for 13 years'

By Richard Lapper

Defaults by issuers of US junk bonds last year fell to their lowest level for 13 years, according to Moody's, the US rating agency.

Moody's said that its speculative grade corporate bond issuer default rate fell to 1.67 per cent in 1994. Twenty-three issners defaulted on $2.2bn of long-term public corporate debt, according to figures released earlier this week.

Issuer default has fallen steadily since 1991, when it reached 9.5 per cent. However, the rate of default could begin to rise following an increase in the number of lower quality junk bond issuers.

Mr Lea Carty, associate analyst with Moody's, said this "set the stage for increased numbers of defaults one or two years from now."

UK borrower halves loan cost

Beneficial Bank, the UK consumer finance provider, has halved the cost of its borrowing with a syndicated loan arranged by Schroders at a margin of 27¼ basis points over Libor, writes Martin Brice.

The pricing mirrors the fall in the cost of bank lending, as banks compete for assets while corporate borrowers remain wary of indebtedness.

Beneficial Bank is using the £200m, five-year revolving loan to refinance a £225m three-year loan due to mature in May 1996. All banks in the old facility are in the new loan, which is guaranteed by Beneficial Corporation, the bank's A-rated US parent.

Borrowers switch from dollar to D-Mark issues

By Martin Brice

The flow of dollar bonds on to the euromarkets slowed to a trickle yesterday as borrowers paused to allow investors time to absorb the $5.2bn issued in the previous two days.

One syndicate manager said: "There is more than enough supply. Investors are now sitting back aod seeing what deals work."

The spreads on many issues brought in the rush of the past two days had widened out, only partly in line with the fall in US Treasuries. Issues with shorter maturities were thought to have widened out by around 3 basis points, although some widened by as much as 7 basis points. Bonds for Baden-Württemberg L-Finance, a subsidiary of Germany's L-Bank, which were brought on Tuesday at 20 basis points over US Treasuries, were believed to be trading around 26 over.

Moody's downgrading of Swedeo by one notch to Aa3 was not seen to affect existing debt a great deal, since the downgrade was largely in the price already. The possibility of a downgrade had led some eurobond houses to turn down recent approaches from a well-known Swedish borrower to launch a short-dated issue.

INTERNATIONAL BONDS

New issue activity moved yesterday to the D-Mark sector, with the European Investment Bank the biggest deal at DM1bn. Lead manager Deutsche Bank in Frankfurt said the bonds had met firm demand from institutions in Germany, the UK, Asia and the Benelux region.

Deutsche Bank Frankfurt also brought a DM200m deal for Lnebecker Hypothekenbank which it said saw a good response from German money market funds.

GECC was also active in the D-Mark sector, with a DM300m deal via Morgan Stanley in Frankfurt which some other houses thought was rather tightly priced. GECC has brought five deals in two days, in the dollar, Swiss franc, Ecu, lire and D-Mark sectors.

The one dollar issuer was SNCB, the Belgian railway group. It entered the relatively uncrowded five-year sector with a $250m deal via J.P. Morgan and Merrill Lynch, which said the highly-rated credit of the issuer had led to a good response.

Yorkshire Electricity, the UK utility, raised £200m with a 25-year debut eurobond with a 9.25 per cent coupon via UBS. The issue, rated AA by Standard & Poor's, is structured to allow the bonds to be eligible for inclusion in personal equity plans, as was announced in the UK Budget in November. There are put options which can come into play in the event of a change in the regulatory environment or a takeover of Yorkshire Electricity, which has been rumoured as a bid candidate being eyed by Hansoo, the Aoglo-US conglomerate.

Yorkshire's interim profits to September rose 32 per ceot, and a research note published by UBS said part of the bond would finance a special dividend of 90p a share.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
SNCB	250	8.25	99.80R	Feb.2000	0.25R	+30(7¾%-99)	Merrill Lynch International
STERLING							
Yorkshire Electricity (a)	200	9.25	98.84R	Jan.2020	0.625R	+60(8¾%-17)	UBS
D-MARKS							
European Investment Bank	1bn	7.75	101.425	Jan.2005	1.75	-	Deutsche Bank
GECC	300	7.25	99.60R	Feb.2000	0.25R	+5(7%-99)	Morgan Stanley Frankfurt
Luebecker Hypothekenbank(b)‡	200	(b1,i)	100.0975	Feb.1997	0.10	-	Deutsche Bank
CCDC‡	150	(c)	99.98R	Jan.1997	0.10R	-	Swiss Bank Corp. Frankfurt
SWISS FRANCS							
Toyota Motor Credit Corp.	150	5.375	102.50	Feb.2001	2.25	-	Swiss Bank Corp.
ITALIAN LIRE							
GECC	150bn	11.05	101.24	Feb.1998	1.375	-	Paribas Capital Markets
Sudwest. LB Cap.Mkts.(i)	150bn	11.125	101.10	Feb.1997	1.125	-	IMI Luxembourg
GUILDERS							
BNG	500	8.00	99.40R	Feb.2005	0.325R	+28(7¼%-04)	ABN Amro Bank
AUSTRALIAN DOLLARS							
Australian Ind.Dev.Corp.	100	10.25	100.425	Feb.2000	2.00	-	Hambros Bank
Sudwestdeutsche LB Cap.Mkts.	100	10.625	100.99	Feb.1997	1.25	-	Barclays de Zoete Wedd
PESETAS							
Titulizacion de Activos 3(d)‡	14bn	(d1)	100.00R	Oct.2013	0.35R	-	Bear Stearns/Caja de Madrid

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable anytime (Spens call). Regulatory event risk put option. b) Pfandbrief. b1) 1-mth Libor flat. c) 3-mth Libor flat. d) Collateralised by residential mortgage loans of Caja de Madrid. Est.av.life: 4.3 yrs. 10% cleanup call. d1) 6-mth Libor +25bp. Short 1st coupon. i) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	08/04	91.9500	-0.800	10.33	10.00	10.17
Belgium		7.750	10/04	94.8000	-0.410	8.56	8.41	8.24
Canada *		9.000	12/04	98.6500	-0.150	9.22	9.10	8.01
Denmark		7.000	12/04	86.6200	-0.080	8.10	9.12	8.66
France	BTAN	8.000	05/98	100.2600	-0.130	7.89	7.69	7.27
	OAT	7.500	04/05	93.5600	-0.340	8.45	8.24	7.94
Germany Bund		7.500	11/04	98.2500	-0.840	7.78	7.66	7.40
Italy		8.500	08/04	79.7200	-0.530	12.14†	11.98	11.70
Japan	No 119	4.800	06/99	103.6400	-	3.94	3.83	3.31
	No 164	4.100	12/03	96.1280	-0.030	4.72	4.55	4.61
Netherlands		7.250	10/04	95.8400	-0.420	7.87	7.80	7.52
Spain		10.000	02/05	87.6200	-0.870	11.76	11.68	11.18
UK Gilts		6.000	08/99	90-05	-1/32	8.63	8.70	8.49
		6.750	11/04	87-02	-2/32	8.73	8.75	8.57
		9.000	10/08	102-15	-3/32	8.69	8.70	8.61
US Treasury *		7.875	11/04	100-03	-3/32	7.86	7.81	7.80
		7.500	11/24	95-15	-4/32	7.90	7.84	7.90
ECU (French Govt)		8.000	04/04	82.6400	-0.230	8.81	8.60	8.33

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.39	Two year	7.65
Broker loan rate	8½	Two month	5.33	Three year	7.79
Fed.funds	5¾	Three month	5.88	Five year	7.85
Fed.funds at intervention	·	Six month	6.62	10-year	7.86
		One year	7.17	30-year	7.89

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	108.60	109.30	-0.24	109.99	109.22	187,528	127,741
Jun	108.92	108.56	-0.26	109.14	108.90	627	2,760
Sep	108.36	108.02	-0.28	108.46	108.36	34	1,022

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
110	0.49	0.93	-	1.10	1.60	2.60
111	0.17	0.54	-	-	2.20	-
112	0.07	0.29	-	2.70	2.95	-
113	-	0.15	-	-	3.80	-
114	-	0.06	0.26	-	-	-

Est. vol. total, Calls 22,078 Puts 22,805. Previous day's open int., Calls 156,293 Puts 139,741.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	88.83	88.27	-0.47	88.93	88.15	117717	177256
Jun	88.10	87.68	-0.46	88.10	87.85	383	1436

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.90	97.98	-0.88	99.05	97.60	28808	42988
Jun		87.33	-1.03			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9750	1.84	2.54	1.36	2.71
9800	1.54	2.31	1.56	2.98
9850	1.28	2.09	1.80	3.26

Est. vol. total, Calls 630 Puts 487. Previous day's open int., Calls 15809 Puts 15566

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.95	83.10	-0.90	84.07	83.05	47,383	48,380

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-24	100-18	-0-06	100-29	100-13	35376	94255
Jun	100-20	100-24	+1-00	100-29	100-13	320	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-40	2-39	1-04	1-55
101	1-06	2-07	1-34	2-23
102	0-44	1-43	2-08	2-59

Est. vol. total, Calls 533 Puts 3945. Previous day's open int., Calls 26706 Puts 34290

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	79.98	79.74	-0.24	90.28	79.70	3,394	5,790

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-15	98-02	-0-18	99-20	99-02	271,065	342,063
Jun	99-05	98-23	-0-17	99-07	98-23	9,669	13,295
Sep	-	99-00	-	-	-	611	1,728

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 5	Day's change %	Wed Jan 4	Accrued interest	xd adj. ytd		Low coupon yield Jan 5	Jan 4	Yr. ago	Medium coupon yield Jan 5	Jan 4	Yr. ago	High coupon yield Jan 5	Jan 4	Yr. ago
1 Up to 5 years (24)	118.67	+0.04	118.62	1.54	0.51	5 yrs	8.69	8.69	5.71	8.69	8.70	5.93	8.89	8.89	6.02
2 5-15 years (22)	139.09	+0.03	139.05	2.35	0.00	15 yrs	8.58	8.58	6.41	8.71	8.71	6.54	8.93	8.92	6.74
3 Over 15 years (9)	154.50	-0.08	154.62	1.88	1.19	20 yrs	8.54	8.53	6.51	8.71	8.71	6.58	8.86	8.85	6.76
4 Irredeemables (6)	175.62	+0.05	175.54	1.43	0.00	Irred.†	8.59	8.59	6.64						
5 All stocks (61)	135.95	+0.01	135.93	2.00	0.37										

Index-linked	Thu Jan 5	Day's change %	Wed Jan 4	Accrued interest	xd adj. ytd		Inflation 5% Jan 5	Jan 4	Yr. ago	Inflation 10% Jan 5	Jan 4	Yr. ago
6 Up to 5 years (2)	187.15	+0.01	187.13	1.33	0.00	Up to 5 yrs	4.14	4.13	2.22	2.91	2.90	1.40
7 Over 5 years (11)	173.34	-0.11	173.53	0.81	0.00	Over 5 yrs	3.89	3.88	2.96	3.71	3.69	2.78
8 All stocks (13)	173.88	-0.10	174.05	0.85	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 5	Jan 4	Jan 3	Dec 30	Dec 29	Yr ago	High*	Low*
Govt. Secs. (UK)	90.81	90.80	90.77	90.87	91.03	108.46	107.04	89.54
Fixed Interest	109.35	109.45	109.53	109.65	109.71	130.99	233.87	108.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28
Gilt Edged bargains	85.4	79.8	61.5	60.7	66.8
5-day average	61.6	52.1	37.2	52.3	54.3

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	88⅞	89⅜		8.53
Alberta Province 7⅝ 96	1000	98⅛	98⅝	+⅛	8.20
Austria 8½ 00	400	101⅜	101½		8.21
Bank Ned Gemeenten 7 99	1000	95¼	96		8.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	100¼	100⅜	-⅛	7.01
Volkswagen Intl Fin 7 00	1000	93⅝	94	+¼	8.06
World Bank 0 15	2000	20¾	21¼	+⅛	7.79
World Bank 5⅞ 03	3000	87⅜	87½	-⅛	7.91
World Bank 8⅛ 00	1250	109¾	110¼	+1⅛	6.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	91⅞	91⅞	+⅛	9.50
Alliance Leics 11⅛ 97 £	100	104⅝	104⅞	-⅛	9.04
British Land 8⅞ 23 £	150	87⅞	88¼	-⅛	10.44
Denmark 6¾ 98 £	800	93¼	93½	+⅛	8.99
EIB 10 97 £	637	102½	102⅞		8.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NEWS: UK

Sales bring seasonal cheer to retailers

By Neil Buckley

Boots, the chemist and retailing group, reported a 6.1 per cent increase in sales for the three months to December 31, adding to the emerging picture of a reasonable, if unspectacular, Christmas for retailers.

At the same time Wm Morrison, the Bradford-based supermarket chain, reported total sales ahead 16.8 per cent and like-for-like sales, excluding new stores, up 4.9 per cent in the five weeks to January 1. Trading during Christmas week broke "all previous records", the company said.

Yesterday's statements followed news of healthy sales increases from fashion group Next and Goldsmiths, the jewellary group. However, the US-based retailer Toys R Us told analysts earlier this week that its like-for-like sales in the UK had fallen 3 per cent in the eight weeks to Christmas.

Sir James Blyth, Boots' chairman, said the company's figures were an "excellent result in a fragile retail market". It stressed that sales growth reflected effective pricing and marketing policies more than any improvement in consumer confidence. The company stepped up its advertising campaigns for Boots the Chemists and Boots Opticians.

Total sales for Boots the Chemists increased 4.9 per cent, with like-for-like sales up 4.1 per cent. Selling price inflation fell half a percentage point to 1.7 per cent.

Sales of fine fragrances increased 20 per cent with cosmetics up 18 per cent and gifts 10 per cent.

However, over-the-counter healthcare sales increased only 1.7 per cent, from a high level during last year's flu epidemic. Sales of computer games, videos and music fell.

Boots Opticians increased total sales 20.5 per cent after strong performance from new in-store outlets, with like-for-like sales up 5.6 per cent.

Halfords, the motor accessories chain, increased total sales 6.8 per cent, and like-for-like sales 4.6 per cent, although sales in its garage servicing division were down.

Children's World increased sales 21.7 per cent, thanks to its new store opening programme, but like-for-like sales fell 1.8 per cent.

A G Stanley, the Fads home decorating business, increased like-for-like sales 3.6 per cent. The store disposal programme at Do It All, the DIY joint venture with W H Smith, led to an increase in like-for-like sales of 3.8 per cent but an overall sales decline of 2.7 per cent.

Talks start on Saatchi severance package

By Diane Summers, Marketing Correspondent

Lawyers for the Saatchi & Saatchi advertising group were yesterday starting to hammer out a severance package with representatives of Mr Maurice Saatchi, the company's deposed chairman.

The negotiations start from a base of £500,000, but the cost of the final package will exceed that by a substantial amount once bonus payments, pension rights and the value of any restricted covenants – covering, for example, not poaching staff for any new venture or approaching clients – are taken into account.

However, the company insisted that the proposed £5m of options for Mr Saatchi, which sparked the shareholder revolt, were not part of his existing contract and so would not be taken into account in the package.

There has been speculation that Mr Charles Saatchi, who co-founded the company with his brother in 1970 but stepped down from the board in 1993, will also sever links with it.

Saatchi said it had "no intention" of breaking its contract with Mr Charles Saatchi. He has little to do with the day-to-day running of the company but continues to draw an annual salary of £312,000 and has four years left of a five-year contract. The company said that if he decided to depart, "clearly that's when we stop paying him".

Mr Maurice Saatchi has completed six months of a three-year contract at £200,000 a year and is also entitled to a revenue-related bonus. He gave up his five-year rolling contract of £625,000, only half of which he had been drawing, as an example of "leadership from the front", he told the annual meeting in June.

The company said it had told him it would "use its best endeavours" to achieve an options package and had subsequently done so. However, "shareholders disagreed so violently they removed him as chairman," it added.

David Lloyd: clubs constantly revising use of their space

Trevor Humphries

New club helps David Lloyd advance to £7.6m

By David Blackwell

A first full-year contribution from its Glasgow club helped David Lloyd Leisure to lift profits by 35 per cent for the year to the end of September.

Mr David Lloyd, chairman, said the purpose-built Renfrew club – the group's first outside south-east England – had "worked brilliantly well". He was confident of prospects for clubs under construction in Birmingham, due to open next month, and Bristol, scheduled for April.

Pre-tax profits were £7.64m, against £5.67m. Turnover rose 27 per cent *from* £19.3m *to* £24.5m. Like-for-like operating profits increased 12 per cent. Excluding Renfrew, the total number of memberships rose by 8 per cent to a little more than 21,000.

Membership fees, which account for almost 60 per cent of group income, rose by about 2.5 percentage points above the rate of inflation. The value of membership sales increased by 14 per cent to £11.3m. Last year 84 per cent of members rejoined the clubs – ahead of group expectations.

Mr Lloyd said the clubs were constantly revising the use of their space in order to maximise profitability, citing the introduction of day nurseries in some clubs. "As long as the changing rooms and the car park are big enough, you can keep changing things to bring more people through the door."

The group said on flotation in 1993 that it would aim to open two clubs a year. It has submitted planning applications in Cardiff and Manchester and is ready to submit applications for Edinburgh, Leeds and Newcastle.

Gearing rose from 12 per cent to 40 per cent last year. Although the group is prepared to let the level reach 75 per cent as it continues to expand, it does not expect it to go so high.

Earnings per share were 12.67p, up from 10.85p. The proposed final dividend of 2.2p, takes the total for the year to 3.65p (1.95p).

Colonial plans to end mutual status

By Alison Smith

Colonial Group, a financial services organisation with its main businesses in Australia and the UK, is to change its ownership structure from mutuality to become a listed company.

Mr Rob Garnsworthy, UK general manager, said listing had originally been a longer term aim. But the decision had been crystallised by Colonial's recent purchase of the State Bank of New South Wales. Australian banking law states that to own the bank, the group must cease to be a mutually owned organisation by the end of 1998.

"De-mutualisation" of an insurer is a relatively uncommon process in the UK, although there has been speculation that the increasing costs of acquiring new life and investment business will make mutuals more likely to seek a listing to have the opportunity to raise capital.

The process for Colonial will be complicated by the various jurisdictions in which it operates. The UK is its largest business outside Australia. It also operates in New Zealand, Fiji and east Asia.

In the UK, the members of the Colonial Life Assurance Society – the vast majority of the 500,000 British policyholders – must approve the change. Previous moves by mutuals to listed status have included payments to policyholders by way of reversionary or terminal bonuses.

Mr Garnsworthy said the earliest the conversion could take place would be in 1996.

Colonial's UK premium income in 1993 was £247m and at the year-end funds under management were £2.66bn.

Reg Vardy 43% ahead at £5.03m

By Peter Pearse

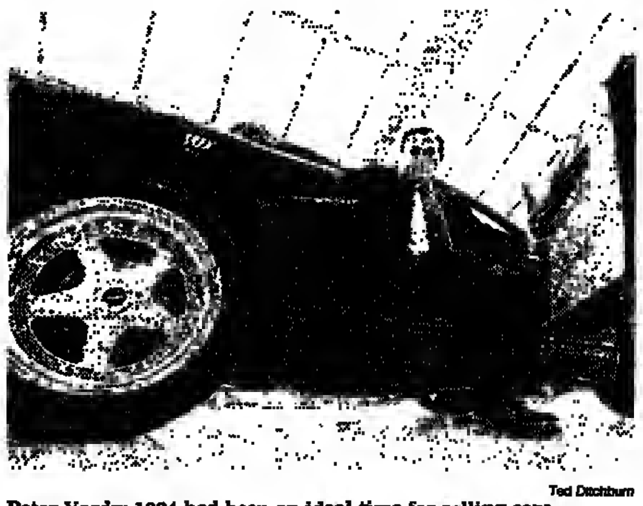
Strong increases in the sale of specialist and used cars helped Reg Vardy, the multi-franchise motor retail group, lift interim pre-tax profits 43 per cent from £3.51m to £5.03m.

The profits advance was achieved despite a fall to £460,000 (£800,000) from the sale of surplus property. Operating profits in the six months to October 31 grew 57 per cent to £5.05m (£3.21m).

The shares rose 14p to close at 166p.

Mr Peter Vardy, chairman and holder of 50 per cent of the group's shares, said he did not understand why the market had been so biased against the sector – Vardy's shares have declined from a high in February of 221p.

Earnings per share had been steadily growing, he pointed out, but the p/e had been falling.



Ted Ditchburn

Peter Vardy: 1994 had been an ideal time for selling cars

Mr Vardy said he suspected that the City set too much store by the number of new cars sold, whereas his group made healthy profits from used car sales, servicing and repairs, parts sales and bodyshop work.

He added that the national economic picture had made 1994 an ideal time for selling cars, whether they were new or used.

The specialist side lifted pre-tax profits 94 per cent to £1.25m on turnover up 29 per cent at £42.1m, while the volume franchises raised profits 63 per cent to £3.32m on turnover 26 per cent ahead at £142.5m.

The 29-dealership group was concentrating on "controlled growth" – both organic and acquired. The chairman suggested that Vardy was unlikely to buy another quoted motor group, but would continue to "buy potential", probably private concerns.

Historically the group buys in January and February, and acquisitions can be expected – at least before June.

Group turnover grew by 27 per cent to £184.6m (£142.7m); earnings per share increased to 7.5p (5.3p) and the interim dividend is lifted to 2p (1.4p) to balance more evenly the interim and final pay-outs.

Exports and acquisitions boost Druck

By James Whittington

Druck Holdings, the Leicester-based manufacturer of electronic pressure measuring and control devices, raised interim pre-tax profits by 25 per cent from £2.1m to £2.62m.

Turnover in the six months to September 30 grew by 15 per cent to £16.9m (£14.7m) with exports accounting for about three-quarters of the figure.

Earnings per share advanced to 26.1p (20.8p) and the interim dividend is raised to 4.1p (3.7p).

Mr John Salmon, chairman and chief executive of the USM-quoted group, said Druck had benefited from increased world sales and acquisitions made in July 1994.

It now had the confidence to put more resources into emerging markets, especially in East Asia, he added.

Druck paid £3m in cash for Unomat Instrumenten and Unomat, based in the Netherlands and the US respectively, which produce portable field calibrators. It also acquired a 60 per cent stake in the newly formed IPH Marine Automation, based in Denmark, which supplies marine and petrochemical systems.

In the three months to September, these contributed £740,000 to group turnover and £150,000 to operating profits.

Helped by a £2.5m contract from the Royal Air Force, orders increased by 41 per cent to £21.6m, while invoice sales for exports grew by 26 per cent. The main contributions to increased world sales were from Japan, the US and France.

The group said it had virtually no gearing.

CU cuts bonuses on with-profits life policies

By Scheherazade Daneshkhu

Commercial Union has announced cuts in with-profits life policy pay-outs.

The composite insurer is maintaining reversionary (annual) bonuses on the policies while reducing the terminal bonus. It said the cuts were necessary "to reflect the continuing lower future inflation and investment returns".

The maturity value of a 25-year with-profits policy is reduced by 1.3 per cent and that of a 10-year policy by 5.7 per cent. The maturity value of a 25-year endowment policy taken out by a man aged 29 paying £30 a month is £64,798, compared with £65,599. The corresponding figure for a 10-year policy is £6,419, against £6,807.

The 1995 interim bonus on traditional life policies will also be cut from 4 per cent to 3.5 per cent.

With-profits policies pay two kinds of bonuses: reversionary, which are paid every year and which cannot be withdrawn, and terminal, which are paid at the end of the policy's lifetime.

CU's percentage of pay-out in terminal bonus form is relatively low, at 14.9 per cent for 10-year policies and 28.6 per cent for 25-year policies.

Earlier this week General Accident Life also announced bonus rate cuts.

Pre-paid funeral plans hang in the balance

OFT has power of life and death over a huge potential market. **Geoff Dyer** reports

Funeral operators are waiting anxiously for the results of an Office of Fair Trading inquiry into pre-paid funeral plans, the fastest growing area of the market.

Their worry is that the OFT, due to report next month, will impose a layer of heavy regulation to protect customers, particularly those seen as being old and vulnerable. However, if the rules simply cut out abuses, the pre-paid segment of the market looks set for huge expansion.

At present only 1.5 per cent of funerals in the UK are paid for in advance, compared with 50 per cent in some states in the US. Funeral operators hope that in the next 15 years the proportion of pre-paid plans will rise to 25 per cent, which could create a £5bn market.

Mr Gordon Kee, chief executive of Golden Charter, the smallest of the the four groups offering pre-paid funerals, said: "They offer a once in a lifetime opportunity to increase market share."

Some analysts also estimate that the profit margins could be as much as 5 per cent higher for pre-paid funerals. Ms Ruth Keattch, an analyst at Granville Davies, said: "They are able to charge the same price as a normal funeral, but hang on to the money and get a return on it."

Pre-paid funeral plans were introduced into the UK in 1985 by Great Southern, now owned by Service Corporation International of the US. Small insurance plans which did not guarantee the full cost of a funeral had been common for some time. The new versions covered funerals costs of between £850 and £5,000.

The plans did not take off until two years later when Great Southern linked up with the charity Age Concern, which agreed to distribute details of the scheme. Other companies offering the products include the Co-operative Movement, Plantsbrook and Golden Charter.

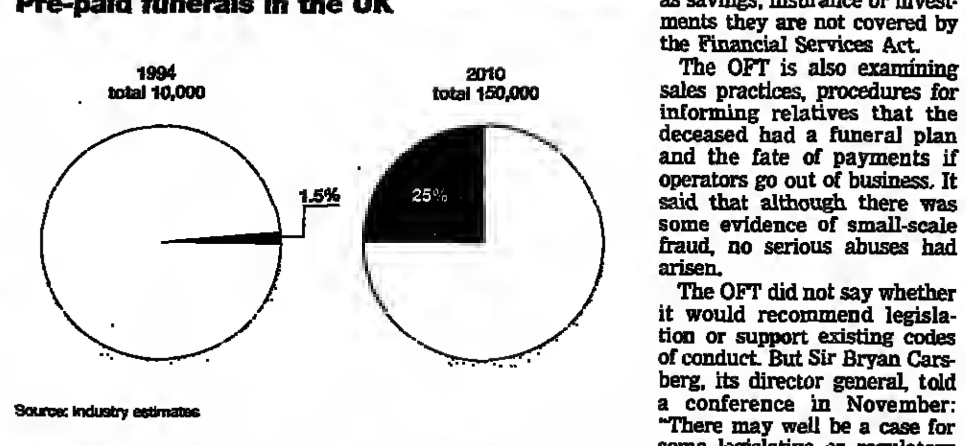
However, it was when SCI took over Plantsbrook, giving it both the UK's second and third largest funeral operators, that the pre-paid market – in which SCI has plenty of US experience – became the focus of attention. As the two operators sell up to 75 per cent of the funeral plans in the UK, industry observers concluded that the potential in the pre-paid market must be one of the main attractions.

"The amount of money was very high if they were only interested in the conventional funerals business," according to one rival.

Independent operators, fearing that the US corporation would use pre-paid plans to squeeze them out, responded quickly. In December the Society of Allied and Independent Funeral Directors, which represents 500 independent funeral directors, took a 30 per cent stake in Golden Charter.

But SCI has not moved as rapidly as some expected. The two funeral plan subsidiaries, Great Southern's Chosen Heritage and Plantsbrook's Dignity Plan, are not to be merged because a number of independent funeral operators have agreements to sell Chosen Heritage plans in competition with Plantsbrook. However, rivals expect that SCI will soon launch a marketing campaign.

Pre-paid funerals in the UK



Source: Industry estimates

Nor does everyone have such a rosy view of the pre-paid market. Mr Jerald Pullins, chief executive of SCI UK, does not believe there is a built-in extra 5 per cent profit. "There are risks involved. We have been operating these plans for a long time and there is not always a financial benefit," he said. If the costs of providing a funeral increase faster than either inflation or funeral charges, then plan providers lose out.

Mr Pullins believes the accounting methods used for pre-paid plans might have inflated expectations. Plantsbrook used to deposit the estimated cost of future funerals with independent trustees and take the balance as income on the profit and loss account as soon as the plan was paid for. He said that more conservative accounting policies had been introduced to both the UK companies SCI acquired. Income is now only taken once all the funeral expenses have been met.

The OFT stepped in last February when the collapse of a small Yorkshire firm, Will Writing Services, exposed the fact that this new sector was unregulated. In particular, there are no safeguards for payment. As they do not count as savings, insurance or investments they are not covered by the Financial Services Act.

The OFT is also examining sales practices, procedures for informing relatives that the deceased had a funeral plan and the fate of payments if operators go out of business. It said that although there was some evidence of small-scale fraud, no serious abuses had arisen.

The OFT did not say whether it would recommend legislation or support existing codes of conduct. But Sir Bryan Carsberg, its director general, told a conference in November: "There may well be a case for some legislative or regulatory action in this sector."

The large funeral operators say they would welcome legislation as this would give pre-paid plans greater credibility. They point out, however, that in some states in the US, such as Georgia, where the regulations are tough, there are very few funeral plans.

If the OFT does not recommend very stringent rules the pre-paid funeral market could become the main competitive arena for funeral directors.

Abbey shows 73% growth to I£4.58m

By John Murray Brown in Dublin

Improved house sales in the UK and growth in the plant hire business pushed pre-tax profits at Abbey, the housebuilder, up 73 per cent from I£2.65m to I£4.58m (£4.54m) in the half year to October 31 1994.

Abbey, originally an Irish company and still registered in Dublin, reported turnover up from I£18.8m to I£24.4m, reflecting high operational gearing in the plant hire business and a boost to house prices in the early part of 1994.

Mr Charles Gallagher, chairman, said housing market conditions were currently "less encouraging". He warned that higher costs would affect margins, together with rising interest rates in the current period.

However, he said the company was well placed to move forward and "taking the year as a whole we remain hopeful of further progress".

Operating profits in the housebuilding and property sector rose from I£1.8m to I£3.4m. M&J Engineers, Abbey's UK plant hire business, reported a 19 per cent increase in turnover, with operating profits up from I£196,000 to I£913,000, underlining the UK recovery.

Abbey's Irish business accounts for about 20 per cent of capital committed, but rather less in turnover. However, the company expects a better contribution from the operations in 1995 as its Bray housing development south of Dublin comes on stream. The company hopes to sell 100 homes in this 500-home development, a I£6m investment.

Abbey has steadily reduced its net cash positions and at the half year had some I£6m of net cash.

The company has declared a 5 per cent rise in the interim dividend to 2.1p (2p), payable from earnings per share of 8.16p (4.58p).

Wembley denies reports about sale of stadium

By Geoff Dyer

Wembley, the stadium and greyhound track operator, denied reports yesterday that it had entered into negotiations with the Premier League or anyone else over the sale of Wembley stadium.

The company said: "It is untrue that Wembley has been in negotiations with anyone regarding the sale of the stadium."

Wembley had been in talks with the Premier League and a number of other parties, including the Football Association, Brent Council and the government, over the future development of the stadium.

In December, Martin Caldwell Associates was appointed to produce a development strategy for the stadium, which is expected to be completed by the end of this month.

A number of parties have presented Wembley with proposals to develop the stadium, including Mr Harvey Goldsmith's Allied Entertainments and Apollo Advisers, the US investment group.

In December the company said it had finalised refinancing proposals, thought to involve a £60m debt-for-equity swap and a rescue rights issue.

CRH continues overseas growth with I£15.7m Netherlands buy

By John Murray Brown

CRH, the Dublin-based building materials group, has acquired Dy-Core Systems, a Dutch concrete flooring company, for a cash consideration of I£15.7m (£15.5m).

The deal, concluded on December 30, underlines both CRH's strategy to reduce its dependence on the Irish market and its ambition to increase the market shares of its key operations.

The acquisition doubles the company's concrete flooring business in the Netherlands. Mr Myles Lee, general manager finance, said the deal gave CRH an "improved balance" between the housing sector and the industrial and commercial sectors.

In the Netherlands, it already owns Verwo System Floors, which manufactures mainly for the new housing market.

CRH has been acquiring overseas assets during the past 12 months. In 1994, according to Dublin stockbroker Davy, the company made acquisitions worth more than I£120m in Europe, the US and for the first time Latin America as it sought to maintain growth through foreign expansion.

Dy-Core, founded in 1975, is a leading producer of pre-stressed "hollowcore" concrete floor elements for the industrial, commercial and housing markets. With one factory in Brabant, south west Netherlands, and about 200 staff, it produces about 1m sq m of precast concrete flooring a year.

Trading profits were Fl 7m (£2.57m) in 1993 on sales of Fl 49m. Net assets at the time of the acquisition stood at Fl 27.8m. CRH said yesterday that Dy-Core's results for 1994 would be ahead of 1993.

BSkyB shares slip as sell note unnerves investors

By Alice Rawsthorn

BSkyB, the satellite television venture which went public last month, saw its shares fall by 10p to 245½p despite reporting a healthy increase in subscriptions during the fourth quarter of last year.

The fall reflected nervousness about BSkyB's prospects on the publication of a "sell" note on BSkyB by Henderson Crosthwaite, the London securities house. This note aggravated concern about the outlook for BSkyB's shares next week given that the stabilisation period, whereby its brokers can support the stock for 30 days after the flotation, ends today.

The shares closed yesterday 10½p below the 256p issue price despite the announcement that BSkyB had gained 180,000 new subscribers in the final quarter of last year bringing its subscriber base to 2.82m by the year end.

Ms Rebecca Winnington-Ingram, media analyst at Morgan Stanley, described the announcement as "encouraging". She said yesterday's fall in the share price was due to investors' "nervousness", which was "unfounded as the business is delivering exactly what it said it would."

UK Estates

UK Estates has bought 100,000 of its own shares at 18p. Also, the preference dividend due on January 1 and arrears of dividend on the 6 per cent cumulative convertible preference shares will be paid today.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbey	int	2.1‡	Feb 21	2	-	5
David Lloyd Leis	fin	2.2	Apr 12	1.95	3.65	1.95
Druck Holdings §	int	4.1	Feb 20	3.7	-	10.8
Reg Vardy	int	2	Apr 28	1.4	-	4.5
Western Select†	fin	0.25	-	0.25	0.25	0.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

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COMMODITIES AND AGRICULTURE

Trade chief sees consumers driving farm subsidy cuts

By Deborah Hargreaves

World-wide farm subsidies are likely to diminish in coming years but pressure to reduce support will be driven by consumers and not global trade agreements, Mr Peter Sutherland, director general of the World Trade Organisation said yesterday.

"I think change will be driven by the refusal of society to bear the cost of agricultural subsidies," he told the Oxford Farming Conference.

The Uruguay Round of the General Agreement on Tariffs and Trade (which preceded the WTO) was not about free trade in farm products ss many observers believed, Mr Sutherland said.

"It is about progressive liberalisation under a rule-based system."

He acknowledged that most European and US farmers still receive large direct subsidies that were protected in the so-called "green box" provision under the Uruguay Round. "But the agreement achieved a balance which at least is visible and moving towards free trade."

Mr Francis Capelle, a French cereals farmer, told the conference that half of his income was derived from European Union subsidies. "It frightens me, of course, but the progressive phasing out of subsidies should see the price of our commodities going up," he said.

Mr Capells said he believed that by 2000, there would be around 150,000 large, full-time French farmers producing 75 per cent of the country's arable output. Those farmers could compete on a world basis withont agricultural subsidies, he said.

Some 50,000 French farmers left the industry every year and more than half were over the age of 55, he said. That should reduce the number of farms in France from the current 800,000 to roughly 500,000 by the year 2000.

Ths largest farms were becoming much bigger and more efficient with some 350,000 smaller farmers expected to have part-time jobs away from their holdings by 2000, Mr Capelle said.

Mr Graham Robertson, president of Federated Farmers of New Zealand, said that only 1 per cent, or 800 farmers, had been forced to leave the business in New Zealand by financial difficulties since the halting of subsidies 10 years ago. But he said farms had become larger and less intensive with s doubling in the size of sheep herds.

Mr Capelle also called for a cut in European Union set-aside rules to 10 per cent (from the current level of 12 per cent, reduced from 15 per cent in October).

He said that was necessary to cope with a drop in cereals stocks, which could be as low as 12m tonnes, equivalent to one month's consumption, by July 1996, compared with 45m tonnes in 1993. A climatic accident such as a frost or drought could reduce cereals stocks below the average level of exports, he said.

Gas discovery lifts Philippines' energy hopes

David Lascelles on an ambitious plan for a much-needed increase in power generation

The government of ths Philippines is hoping to pull together a group of energy companies early this year to agree the outline of an ambitious plan to tap newly discovsred offshore gas for much-needed power generation.

The Malampaya project, named after a gas field discovered two years ago off the western island of Palawan, would involve a total outlay of up to $4bn.

The find is of major importance to the Philippines, which, unlike its sonthern neighbour Indonesia, is energy-poor and depends on imports for two thirds of its needs.

Mr Rufino Bomasang, undersecretary at the Department of Energy, says: "This is by far the largest single oil and gas discovery in this country". He points out that successful development of the field would raise the Philippines' energy self-sufficiency from 33 per cent to 46 per cent.

The field, which is being developed jointly by Shell and Occidental Petroleum, contains an estimated 1,900bn-3,500bn cubic feet of gas and a quantity of oil. Daily production would amount to 400m cu ft of gas as well as about 26,000 barrels of oil.

The planned investment would also be the largest of its kind in tbe Philippines. However, the project is highly complex technically and also politically sensitive as it will require major decisions about the long-term structure of the Philippines energy balance.

The field lies in 850m of water, and has already soaked up $200m in exploration costs. It will also require a 450km pipeline across terrain with major known seismic faults to get the gas to Manila, the main consumption centre.

The oil companies believe they can manage that part of the problem. More difficult, however, is securing agreement on consumption of the gas once it is landed and until this is done the oil companies are reluctant to spend any more money on development.

The government is keen to see a large expansion of electricity generation capacity to meet soaring demand and eliminste the "brown-outs" thet are a feature of life in the Philippines.

It is seeking a commitment to build 3,000MW linked to the Malampaya field. Part of this, it believes, could come by converting the 1,200MW Bataan nuclear power station to gas. The station, built in the mid-1980s by Westinghouse, has never been commissioned because of alleged safety defects, and the Philippine govsrnment is now involved in intricate legal negotiations with the US company. However, a consortium including Fluor of the US and Asea Brown Boveri is preparing to bid for the conversion work.

The rest of the required capacity could come from newly-built gas-fired power stations and would be overseen hy Meralco, the private sector electricity distributor.

There is still a debate in government circles, however, about the extent to which coal and geothermal power should play a role in future energy plans. Until these are resolved, Malampaya may have to hold fire.

Mr Bomasang says that the Philippine government hopes to firm up the proposals soon with a view to getting heads of agreement by early next year. This would pave the way for final go-ahead by mid-1996.

One of the leading contenders to build new capacity is a consortium consisting of First Philippine Holdings, a company which owns a stake in the local subsidiary of Shell, and British Gas.

Mr Philip Rogerson, the executive director in charge of international business at British Gas, says thet he hopes to receive a firm commitment by the end of 1995. The project being considered would provide 1500MW at a cost of some $1.5bn, of which British Gas's share is 40 per cent.

"Our preferred route is through partnership with strong, well-connected local companies," says Mr Rogerson.

London Metal Exchange turnover up by a third in 1994

By Kenneth Gooding, Mining Correspondent

Turnover on the London Metal Exchange, the world's largest terminal market for physical metal, grew hy one-third in 1994, its eighth successive year of growth. Mr Ray Sampson, the exchange's marketing manager, estimates that turnover, boosted by rapidly rising metals prices, jumped from about US$1,000bn in 1993 to nearly $2,000bn.

The LME has seen a four-fold increase in volume turnover during the past six years which Mr Sampson suggests reflects the growing confidence of the metals industry in the exchange as a genuine hedging medium for its activities.

He says LME ring-dealing and other hroker members had a very good year financially in 1994 but points out that their margins and commissions represent only "a sliver" of the turnover. Nevertheless, as commission incomes are based on the gross value of contracts, members benefitted by hig metals price rises last year: copper's rose by 75 per cent, aluminium's by 74 per cent and nicksl's hy 69 per cent, for example.

In volume terms the LME's futures turnover last year increased hy one-third, from 32.9m lots to 43.8m (lots are 25 tonnes each for metals other than aluminium alloy, where each lot is 20 tonnes, nickel, six tonnes, and tin, five tonnes.)

The biggest rises in turnover were seen in the tin and lead markets, both up by 94 per cent, from 614,000m lots to 1.2m and from lm to 1.9m lots respectively. Copper turnover advanced hy 16 per cent, from 14.8m to 17.2m lots; aluminium was up by 29 per cent, from 10m to 14.6m lots; nickel was up by 62 per cent, from 2.1m to 3.4m lots; zinc was up by 27 per cent from 4.2m to 5.3m lots and aluminium alloy was up by 33 per cent, from 111,450 lots to 146,685. Options turnover rose hy 68 per cent from 2.3m to 3.86m lots.

Coffee export earnings surge

Coffee producing countries are reporting significantly higher export earnings following the mid-summer rally prompted last year by frosts and drought in Brazilian growing areas, according to DKV, the German coffee industry association, reports Renters from Hamburg.

"First origin estimates point to a doubling or trebling of export revenues in the 1994-95 marketing season," DKV said in the latest edition of Kaffee-Text, its quarterly market report.

"Countries which harvested their coffee crops in recent months have already benefitted from the higher prices. . . others are about to see much improved prices now," it said, forecasting world 1994-95 export earnings at $10bn, up from $5bn at the lowest point of ths current cycle in 1992-93.

African coffee sales in 1994-95 were estimated at $3bn compared with $900m in 1993-94, DKV said. Uganda, which had originally expected to earn $170m in 1994-95, had raised its sights to $500m; and Ethiopia was hoping for a revenue of $250m, compared with $100m in the previous season.

In Central America, El Salvador was expecting to earn $600m in 1994-95 after $360m in 1993-94.

Apart from better trading incomes, farmers were also receiving higher incomes, which was hoped to result in a better agricultural infrastructure and spending on inputs, DKV said. Ex-farm prices in Uganda had trebled this season and those in Ivory Coast had nearly doubled.

But higher export earnings might also stimulate inflation and governments' appetites for higher taxes, which could result in smuggling activity.

● Increased activity in the coffee market was the main contribntor to a rise in trading volume at the London Commodity Exchange last year. Rohusta coffee turnover rose 40.8 per cent to 1.25m lote, while white sugar volume was up 47.3 per cent at 466,587 lots, the LCE said yesterday. Total futures and options turnover in the exchange's markets rose 4.8 per cent to 3.76m lots.

The cocoa market remained subdued. While retaining its lead, the contract's total volume subsided 16.25 per cent to 1.55m lots.

Commodity screen services planned

Two new screen-based commodity information services are to become available in April.

A joint venture between The Public Ledger, London's 235-year-old specialist commodities daily, and Commodity Market Ssrvices, a subsidiary of the London Commodity Exchange, is to transmit on-line news and daily prices to subscribers via the CMS electronic distribution network.

"This hreaks new ground for our paper," says Mr Keith Young, chairman of The Public Ledger. "Customers will now be ahle to reach us at the touch of a hutton." Mr Boh Antell, managing director of CMS says the venture "will further enhance the position of CMS as a major communication source for the commodity and trading community".

Testing of both services will begin in February.

● Wool trading on the Australian Wool Testing Authority's Woolink computer system will begin on Monday, reports Reuters from Melbourne.

Sellers will place lots on the system, identifying the wool type and price they are prepared to accept. Buyers will purchase a lot when they enter a price on the screen matching the seller's price.

Mr Sas Douglas, the authority's deputy managing director, says this will be "the first use of direct screen trading in the wool industry".

N Sea oil output climbs

By Robert Corzine

North Sea oil production reached a seven-year high last Novemher, according to the latest report hy the Royal Bank of Scotland.

The bank's oil and gas index showed that output from UK fields in November was 2.6m barrels a day. That compared with 2.3m b/d recorded in November 1993.

The sharply rising trend in North Sea output from the UK and Norwegian sectors has been one of the main reasons why the current production freeze by the Organisation of Petroleum Exporting Countries has failed to give a hig boost to crude oil prices.

Mr Mark Shea, the bank's energy economist, said he expected the current surge of North Sea production to peak within the next few months. He said the peak was likely to *be in the 2.7m-2.75m b/d* range.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2010-11	2037-8
Previous	1967-8	1995-6
High/low		2057/1996
AM Official	1996-7	2020.5-21
Kerb close		2033-34
Open int.	248,222	
Total daily turnover	57,559	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1913-5	1952-6
Previous	1885-905	1935-45
High/low		1960/1950
AM Official	1905-7	1945-50
Kerb close		1950-60
Open int.	2,577	
Total daily turnover	738	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	648-9	665-5.5
Previous	649-50	666-7
High/low		671/665
AM Official	650-1	667-8
Kerb close		666-7
Open int.	42,146	
Total daily turnover	5,667	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9020-30	3176-80
Previous	8755-65	8910-20
High/low		9275/8950
AM Official	8920-5	9070-5
Kerb close		9240-50
Open int.	57,815	
Total daily turnover	15,141	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5985-95	6080-90
Previous	5940-50	6040-45
High/low	5965	6120/6035
AM Official	5960-5	6060-65
Kerb close		5100-20
Open int.	21,452	
Total daily turnover	3,423	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1136.5-7.5	1162-3
Previous	1122-4	1146-8
High/low	1128	1166/1152
AM Official	1128-8.5	1153-4
Kerb close		1163-6
Open int.	103,484	
Total daily turnover	14,223	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2942-4	2945-7
Previous	2895-6	2906-7
High/low	2922	2962/2925
AM Official	2923-4	2928-9
Kerb close		2952-3
Open int.	240,118	
Total daily turnover	73,330	

■ LME AM Official £/$ rate: 1.5613
LME Closing £/$ rate: 1.5646

Spot:1.5640 3 mths:1.5637 6 mths:1.5633 9 mths:1.5627

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	135.90	+1.70	135.90	135.20	2,299	242
Feb	135.15	+1.75	-	-	071	22
Mar	134.80	+2.10	135.45	133.30	26,689	3,726
Apr	132.50	+1.80	-	-	915	129
May	130.55	+1.55	131.00	129.50	4,871	943
Jun	129.30	+1.30	-	-	521	37
Total					48,119	5,441

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.30-374.70	
Opening	374.90-375.30	
Morning fix	375.00	239.954
Afternoon fix	373.30	240.100
Day's High	375.50-375.90	
Day's Low	374.00-374.40	
Previous close	375.90-376.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.99	6 months	6.01
2 months	5.15	12 months	6.63
3 months	5.43		

Silver Fix	p/troy oz.	US cts equiv.
Spot	298.10	462.25
3 months	300.45	466.95
6 months	305.70	476.95
1 year	317.55	495.05

Gold Coins	$ price	£ equiv.
Krugerrand	376-379	240-243
Maple Leaf	385.00-387.45	-
New Sovereign	87-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	375.4	+1.4	-	-	1	2
Feb	376.6	+1.3	376.7	374.7	94,866	54,276
Mar	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Aug	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.40	-0.45	107.65	107.30	511	86
Mar	108.80	-0.35	109.00	108.65	1,620	85
May	[illegible]					
Jul	[illegible]					
Sep	[illegible]					
Nov	[illegible]					
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]						
Total					1,458	102

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jan	2046	+40	2040	2020	840	73
Feb	2045	+37	2045	2020	241	70
Mar	2040	+32	2040	2020	131	50
Apr	1966	+36	1965	1940	1,496	113
Jul	1740	+22	1740	1735	421	15
Oct	1768	+23	1760	1755	222	13
Total					3,351	354

	Close	Prev
BFI	1967	1984

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	994	+11	1006	992	38,710	3,360
May	992	+12	1003	990	19,151	1,700
Jul	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]						
May	13.20	+0.05	13.15	13.15	2,161	108
Total					195,809	43,461

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	88.83	-1.29	90.95	88.50	32,482	8,397
May	88.34	-1.14	90.25	87.86	14,809	3,742
Jul	87.40	-0.53	88.80	86.80	9,411	1,847
Oct	79.03	-0.22	80.25	78.80	2,511	652
Dec	74.16	-0.08	74.65	74.10	10,613	3,589
Mar	75.05	+0.22	75.50	75.00	128	69
Total					69,951	18,298

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	108.00	-2.70	109.65	108.00	712	296
Mar	112.15	-2.95	114.25	111.70	15,973	1,806
May	115.35	-3.00	117.50	115.70	2,408	63
Jul	118.65	-2.95	119.50	119.50	1,039	23
Sep	121.65	-2.95	123.20	123.20	2,522	24
Nov	119.05	-1.95	-	-	1,806	13
Total					15,288	2,285

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 5	Jan 4	month ago	year ago
2235.0	2226.9	2178. 6	1668.5

■ CRB Futures (Base: 1967=100)

Jan 4	Jan 3	month ago	year ago
235.22	234.76	227.99	227.31

Wool
Wool sales are scheduled for next week and this will provide new guidance on prices. As last year closed there were some pointers towards a more static market than applied during 1994, with price peaks in September never exceeded and some doubts about the upward trend of the wool market as a whole. Pre-Christmas sales were firm for merinos, but a little easier for some crossbreds. Although little has happened to alter attitudes, there is possibly a little more confidence in the stronger influences as the new year's sales are due to start. Some orders have been placed in the UK home market and in Europe which would not have applied if a decline was thought likely. The wool market is rarely entirely stable but arguments and statistics on either side are unusually well balanced.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.975	-0.275	73.550	72.900	31,279	6,723
Apr	73.325	-0.200	73.825	73.225	27,066	4,394
Jun	[illegible]					
Aug	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Total	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						
Oct	42.175	-0.300	42.450	42.150	1,860	112
Dec	43.275	-0.150	43.275	43.200	1,476	145
Total					36,310	6,972

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.450	+0.275	41.675	40.625	6,780	1,477
Mar	41.825	+0.225	42.125	41.250	1,774	384
May	42.975	+0.200	43.200	42.250	562	55
Jul	43.900	+0.100	44.100	43.350	700	90
Aug	42.050	-0.350	42.800	42.000	288	10
Feb	50.600	+0.200	50.600	50.400	28	14
Total					10,121	2,038

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1900	190	205	81	112
2000	133	156	102	160
2100	89	117	156	218
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2800	193	120	57	142
2900	134	82	97	200
3000	88	54	149	269
■ COFFEE LCE	Mar	May	Mar	May
2600	279	314	61	141
2650	245	266	77	163
2700	214	259	86	186
■ COCOA LCE	Mar	May	Mar	May
925	78	93	9	26
950	59	77	16	35
975	43	63	24	46
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	84	166	40	82
1650	59	84	64	88
1700	36	62	92	116

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) +or-

Dubai	$15.90-6.05u	+0.095
Brent Blend (dated)	$16.09-6.11	+0.21
Brent Blend (Feb)	$16.44-6.46	+0.20
W.T.I. (1pm est)	$17.71-7.73u	+0.14

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$168-170	+4
Gas Oil	$146-148	+0.5
Heavy Fuel Oil	$111-113	+1
Naphtha	$158-161	-1
Jet fuel	$165-167	
Diesel	$152-153	+0.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

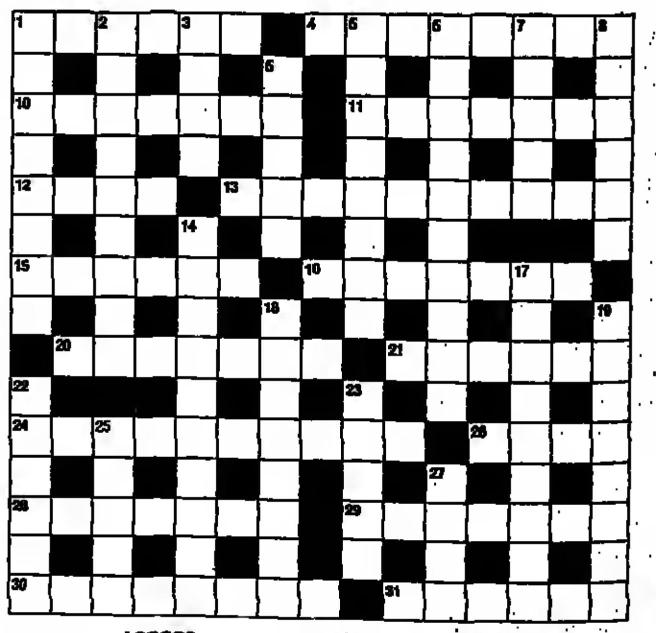
Gold (per troy oz)♣	$374.60	-1.8
Silver (per troy oz)♣	464.5c	-5.0
Platinum (per troy oz.)	$403.25	-0.50
Palladium (per troy oz.)	$154.55	-0.75
Copper (US prod.)	139.0c	-2.0
Lead (US prod.)	41.50c	
Tin (Kuala Lumpur)	15.01m	-0.17
Tin (New York)	261.5c	+1.0
Cattle (live weight)†	121.28p	+0.07
Sheep (live weight)†♠	119.27p	-3.81
Pigs (live weight)	80.72p	-4.89
Lon. day sugar (raw)	$375.0	+3.9
Lon. day sugar (wte)	$423.7	+5.7
Tate & Lyle export	£356.0	+4.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£134.5	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	108.50	+1.5
Rubber (Mar)♥	109.00	+1.5
Rubber (KL RSS No1 Jul)	394.5m	+2.0
Coconut Oil (Phil)§	$662.5y	+2.5
Palm Oil (Malay.)§	$585.0u	-18.0
Copra (Phil)§	$425.0q	-10
Soyabeans (US)	£168.0	-7
Cotton Outlook'A' index	91.60c	
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. u Feb. q Jan/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,653 Set by HIGHLANDER



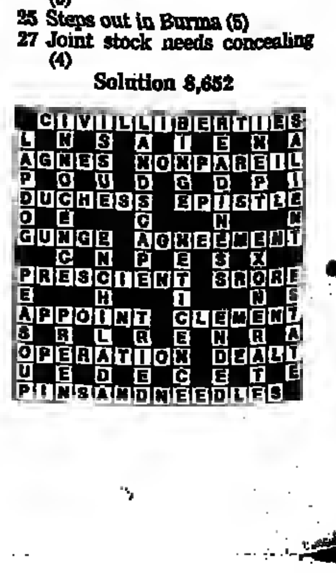
ACROSS

1 Exotic bloom concealed behind central section of porch (6)
4 Henry I singled out lower limbs at the rear (4,4)
10 Will turn to a vegetable (7)
11 Three points behind doughnuts? (7)
12 Old instrument spoils sound (4)
13 Copper low on courage (10)
15 Hint by the French creates complicated situation (6)
16 One way to sit a horse (7)
20 Hostile publicity takes metrical form (7)
21 Horrified Moslem chief meets leaders of Syrian terrorists (6)
24 The foreign floor covering? It's prodncing inflammation (10)
26 American river, almost total source of indigo colouring (4)
28 Shi'ite Moslem is one holding letters (7)
29 Memory loss means I misplaced article (7)
30 Exhaust time for removal of liquid (8)
31 Compact accommodation in small county ending with sex (6)

DOWN

1 Only to be shuffled around in old hat (6)
2 Charles X, edited and corrected (9)
3 Listeners' favourite not being used (4)
5 Rise where batsman stands (8)
6 Try to prevent making a record as old as we are (10)
7 English opening on this occasion (5)
8 Messy – very messy – about time for methodical plan (6)
9 On the way, see aboot the way something's done (5)
14 Change what's said to be an oriental amendment (10)
17 Air needs help circulating, is medical verdict (8)
18 Hopeful painkiller heralds end to aching (8)
19 Start with law reform – become solid and dependable (8)
22 Whirled round and round with Edward, then passed on (6)
23 Singer given new place to sit (5)
25 Steps out in Burma (5)
27 Joint stock needs concealing (4)

Solution 8,652



طبقاً عن الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Shares continue to drift lower on rate fears

By Terry Byland, UK Stock Market Editor

London stocks continued yesterday to look unhappy with the outlook for US interest rates, slipping lower again after Wall Street opened easier. Trading volume remained well short of normal business levels, and activity was focused around a handful of aactors rather than spread across the market.

Brighter news on the domestic front, in the form of satisfactory Christmas trading at Boots, the high street retailer, brought little lasting benefit to the stores sector, and Boots shares closed easier on the session.

Apprehension ahead of today's employment data in tha US strengthened, and some strategists warned that the US Federal Reserve might tighten US rates by a further ¾ percentage point when its Open Market Committee meets at the end of the month. The first step along this road could come today if the US December payroll statistics show a further rise, indicating growing strength in the US economy.

The FT-SE 100-share Index closed 19.3 points down at 3,032.3, a touch above the day's low but not far from midsession readings. The FT-SE Mid 250 Index, covering a wider range of UK stocks, lost 8.8 at 3,473.2. The Dow Jones Industrial Average was just over 4 points off when London closed for the day.

The sharper fall in the Footsie blue chip index compared with the Footsie 250 reflected persistent pressure on the regional electricity companies as investors became increasingly convinced that bid moves in the sector may run into referral to the UK takeover authorities - possibly beginning with the current bid from Trafalgar House for Northern Electric. Some of the recent speculative bnyers of the sector bave turned sellers this week.

This focus on the hig stocks favoured by fund managers kept the total of shares traded at a low level, 436.1m yesterday against 493.7m previously.

But the value of retail, or genuine customer, business in equities regained the £1bn mark on Wednesday, a daily figure largely ahandoned in December. This level implies profitable trading for London market firms.

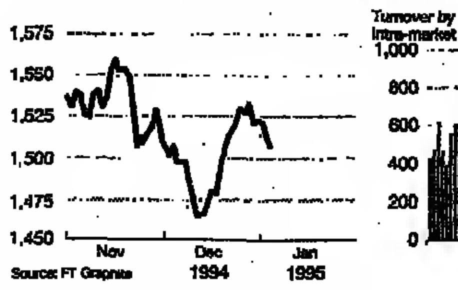
Although tha London market may remain overshadowed by worries over US interest rates for the near term, not all UK atrategists are unhappy. At Strauss Turnbull, Mr Ian Harnett commented that further rises in US interest rates are well anticipated in London and will "almost certainly not" cause problems for share prices when they arrive. He sees a London market wall underpinned by economic fundamentals, with domestic earnings and dividends running well abova the rates recorded 12 months ago.

The FT-SE 100 Index was also held back by weakness among the highly-capitalised pharmaceutical stocks, which helped the market recovery in the closing days of last year. Another sharp fall in Wellcome reflected uncertainty over prospects for US regulatory approval for over-the-counter sales of Zovirax, the group's anti-herpes treatment.

However, one important factor underpinning the London market is believed to be the significant differential between the UK market and Wall Street. Traditionally, this has been seen as a buying signal and traders were drawing comfort yesterday from the relatively stable performance of the US equity market in the face of the renewed concerns over interest rates.

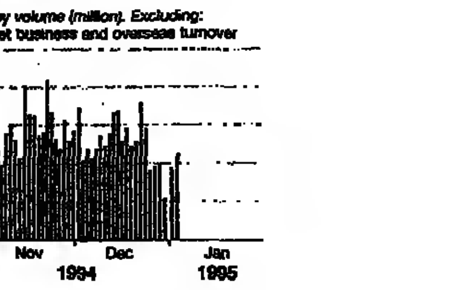
The apparently favourable trend in Christmas sales among the retailers has improved sentiment on the domestic side of the London market. But traders agree that the outlook for the Footsie will depend on how global investors react to the widely predicted Increase in US interest rates. For this reason, equity strategists are paying close attention to daily activity in bond markets in Europe and New York.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3032.3	-19.3	FT Ordinary Index	2331.8	-15.5
FT-SE Mid 250	3473.3	-8.8	FT-SE-A Non Fins p/e	17.74	(17.83)
FT-SE-A 350	1521.5	-8.4	FT-SE 100 Fut Mar	3042.0	-21.0
FT-SE-A All-Share	1507.07	-7.73	10 yr Gilt yield	8.80	(8.79)
FT-SE-A All-Share yield	4.04	(4.02)	Long gilt/equity yld ratio:	2.19	(2.20)

Best performing sectors		Worst performing sectors	
1 Other Services & Bsns	+0.4	1 Extractive Inds	-1.7
2 Household Goods	+0.3	2 Pharmaceuticals	-1.4
3 Textiles & Apparel	+0.2	3 Retailers, Food	-1.3
4 Tobacco	+0.2	4 Gas Distribution	-1.2
5 Diversified Inds	+0.2	5 Electricity	-1.1

Retail sector active

General profit-taking, and profits downgrading, combined to reverse an early advance in Boots after the retailer announced third-quarter sales figures marginally ahead of expectations.

Sales improved by 6.1 per cent from the same period a year earlier, with the group saying it had experienced a strong pre-Christmas trading period which more than made up for the sluggish trading in October and November.

The shares initially rose 5 to the day'a peak of 502p after publication of tha statement, but retreated to end 3 lighter at 494p after trade of 2.1m, with Smith New Court said to have scaled back current year profits expectations.

Another brokerage concern, which refused to ha named, downgraded its current year estimate by £6m to "take account of a higher than expected interest charge following the recent share buy-back".

In the rest of the sector, dealers celebrated the positive trading statement from clothes retailer Next, which gained ½ at 255p as several brokers lifted profits expectations.

Electrical goods retailer Dixons was in demand as Cazenove, the group's broker, along with Kleinwort Benson and Smith New Court, all issued recommendations on the stock. The shares advanced 6 to 193p. Analysts predict profits of around £24m. Marks and Spencer lost 7½ at 392½p after UBS reiterated Its sell stance on the stock in a detailed note on the stores sector.

RTZ weaker

RTZ, the world'a biggest mining company, fell sharply after several securities houses took a more negative view. The shares also reacted to the weaker copper price.

Agency broker James Capel downgraded its recommendation on the stock from buy to hold and Kleinwort Bensoo, which had been a loog-term buyer, took a more neutral view. Kleinwort believes the share price is already discounting peak earnings and will trade in a 750p to 900p range for some time.

Also, copper, which contributes around a third of RTZ's profits, has suffered over the past two days, having hit a near six-year high at the end of the year. The shares closed 16 lower at 802p in the registered on turnover of almost 5m.

Airways wanted

Standing firm against the market downtrend, British Airways put on 4 at 365p in 4.3m turnover following an increase in traffic flows and rising load factors for December.

Traffic improved 6.7 per cent last montb, while the latest load factors suggest that the airline's margins are starting to widen. On the strength of this, UBS has upgraded its profits estimate for this year by £20m to £450m pre-tax. BAA, which produces December traffic numbers on January 16, found itself caught up in the excitement, gaining 4 at 475p.

In contrast, P&O continued to wilt under the impact of competition worries, easing a further 7 to 589p for a two-day setback of 21.

Satellite broadcaster BSkyB was the most heavily traded stock in London as investors decided to take profits ahead of the end of tbe stabilisation period which followed the recent flotation at 256p a share. The stock receded 10 to 245½p with 19m traded.

The stabilisation period permits the company's adviser to buy and sell shares to smooth out initial volatilities. However, it ends at the close of trading today and some analysts feel that the shares could fall sharply as the support disappears. Pearson and Granada, which have significant stakes in the broadcaster, fell 10 to 543p and 4 to 502p.

Wellcome lost 19 at 667p on Increasing concern over whether it will win approval in the US to sell its Zovirax anti-herpes drug over tha counter.

Worries about Zovirax were voiced at morning meetings, with UBS reiterating a sell recommendation. Other pharmaceuticals stocks were weaker following strong sector outperformance in the last weeks of 1994, reflecting disappointment that the US FDA bad not approved more new drugs in its year-end clear-out. Glaxo declined 10 to 657p and SmithKline Beecham 5 to 456p.

Oil major British Petroleum recovered from recent weakness as some analysts focused on hopes that the ban on Alaskan oil exports would be repealed. BP rose 2 to 424½p.

British Gas fall 4 to 309½p after Smith New Court cut its forecast for 1994 by £40m to an historic cost net income figure of £880m to reflect the unseasonally warm weather in November.

Several brokers favoured drinks group Bass and the shares hardened 3 to 526p.

Property stocks traded easier after UBS was reported to have downgraded the estimated asset value of some of the leading stocks in the sector. Worries of a further increase in interest rates were also said to have overhang the sbares. Hammerson gave up 9 to 334p, and MEPC lost 4 to 370p.

BBA hardened 2 to 206p, in heavy turnover of 4.9m, after it emerged that the engineering group had recently closed down its Page Avget aircraft remodification business based in Orlando, in tha US.

Mr Mustapha Omar at Williams de Broe said: "This is good news. It gets rid of a loss maker in the aviatioo division and the hit to the profit and loss account will be more than offset by the hook profit from the recent sale of the Angus subsidiary."

Motor distributors produced a number of modest features, helped by a 3 per cent rise in November new registrations. Cowie Gronp added 3 to 229p with BZW safely placing the rump of the company's £35m rights issue at 226p. Reg Vardy was marked up up 14 to 166p following strong interim profits.

Among engineering shares, Babcock International beld steady at 29½p despite a surge in turnover to 8.2m. Two large lines of stock changed hands with two deals of 3.4m done at 29½p. British Steel was also the subject of a number of sizeable deals which left the shares 2 lower at 153p in 8.5m.

APV rebounded 3¼ to 53p on hopes that the long awaited statement on restructuring could shortly emerge, although some analysts have begun to bet that the group will keep the stock market waiting until its annual results emerge at the end of February.

Royal Insurance dropped 7¼ to 272¼p as NatWest Securities took a less enthusiastic stance after a strong performance by the shares in the latter half of the year relative to rivals in the composite sector. The stock was also knocked slightly by news that Royal's finance director was leaving.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (24).

BREWERIES (2) Regent Inns, Wetherspoon (J.D.), DISTRIBUTORS (3) African Lakes, Finelist, Harris (Ph.), ELECTRNC & ELECT EQUP (2) Critchley, Telepec, ENGINEERING (2) Hadleigh Inds, Renold, ENG. VEHICLES (1) Irish Permanent, INVESTMENT TRUSTS (5) Drayton Recovery Pfd Growth, Finsbury Smlr Cos Zero Pf, Gartmore Amer Secs Zero Prf., Johnson Fry Euro Zero Pf, Sumit, LEISURE & HOTELS (1) Northern Leisure, OTHER FINANCIAL (1) London Scottish Bank, PAPER, PACKG & PRNTG (1) Stora B, PROPERTY (2) South Country Homes, TBI, RETAILERS, GENERAL (1) Stylo, TEXTILES & APPAREL (1) Lowe (R. H.), TRANSPORT (1) Go-Ahead, SOUTH AFRICANS (1) Gold Fields Prop.

NEW LOWS (91).

GILTS (1) BREWERIES (1) Morland, BUILDING & CNSTRN (4) Bryant, Countryside Props, Prowting, Wainhomes, BLDG MATLS & MCHTS (1) Marley, DISTRIBUTORS (4) Appleyard, Enterprise Computer, Evans Halshaw, Gardiner, DIVERSIFIED INDLS (1) Cookson, ENGINEERING (1) Neotronics Tech, EXTRACTIVE INDS (5) Emperor Mines, Equatorial Mining, Gold Mines Australia, Niugini Mining, Zambia Copper, FOOD PRODUCERS (1) Borthwicks, HEALTH CARE (1) Amersham Intl, HOUSEHOLD GOODS (1) Jeyes, INVESTMENT TRUSTS (30) INVESTMENT COMPANIES (8) Baring Chrysalis Fd Wrnts, Baring Puma Fd, Enviromental Wmts, Fidelity Japan OTC Wmts, Guangdong Devlpt Fund, Do Wmts., Japanese Wmt Fd, Latin American Extra Yield, LEISURE & HOTELS (2) Barr & WAT A, Magnolia, MEDIA (5) Chime Comms, Holmes Marchant, Pearson, VTR, WPP Wmts, OIL EXPLORATION & PROD (2) Evergreen, Vanguard Prim., OTHER FINANCIAL (2) Berry, Birch & Noble, FNFC 6.3pc Prf., OTHER SERVS & BUSNS (1) Porth, PAPER, PACKG & PRNTG (2) Arjo Wiggins Appleton, Britton, PROPERTY (4) Debenham Tewson & Chinnocks, Green Prop, Hambro Countrywide, McKay, RETAILERS, FOOD (1) Nurdin & Peacock, RETAILERS, GENERAL (1) Fine Art Devlps, TEXTILES & APPAREL (2) Alexandra Workwear, Faupel Trading, TRANSPORT (1) Vard.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures, hampered lately by seasonal influences, got back into some sort of stride yesterday, with trading volume recovering and dealers reporting steady two-way business, writes Jeffrey Brown.

The trend was always on the downside against a background of bond market uncertainty in Europe and tha US. But there was a trading arc of more than 30 points on the FT-SE 100 March contract, which swung between premiums to the cash market of eight points and more than 22 points.

March stood at 3,042.5 at the close of pit trading, down 20.5 for a three-day retreat of almost 50 points. The premium to the cash market was 12 points or two points short of fair valua.

The best of tha session was right at the opening, with the March contract briefly resting on 3,070, whila the 3,030.8 worst of tha day was touched just prior to the official close at 4.10pm.

Activity was said to be much healthier, with 10,054 lots dealt during pit trading, up from 8,718 on Wednesday. In late, screen-based trading, contract numbers rose comfortably above 11,000.

Volume in the options market also improved, advancing to 35,259 contracts, from 31,934 on tha previous day. FT-SE and Euro FT-SE trading accounted for just under 19,000 lots.

At 1,634 contracts, HSBC was the most active stock option, thanks mostly to one big trade by BZW which created 1,500 lots. BP saw 1,358 lots, and RTZ, Glaxo and British Gas all exceeded 1,000.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3068.0	3042.0	-21.0	3070.0	3034.0	11148	55386
Jun	3078.0	3056.0	-20.5	3078.0	3053.0	100	3277
Sep		3076.5	-20.5			0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3480.0	-20.0			0	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3031) £10 per full index point

2850 2900 2950 3000 3050 3100 3150 3200

[illegible]

Calls 6,033 Puts 8,134

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	168	4½	114½	9½	75	19	42½	36½	21	65	9½	102½	3	146½	1	194½
Feb	184	17	144½	27½	110	42½	80½	62½	56	88	36	117½	22	153	13	193½
Mar	198	33	161½	48	128	62½	100	83	75½	108	54½	136½	38	169½	25	206
Jun			215	68½			157	128			108	177½			71½	237
Sept†			254	108½			197½	146			149	195½			108½	251

Calls 2,948 Puts 1,805 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 5	Day's chge%	Jan 4	Jan 3	Dec 30	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3032.3	-0.6	3051.9	3065.7	3065.5	3403.0	4.25	7.32	16.12	0.54	1157.90
FT-SE Mid 250	3473.3	-0.3	3482.1	3498.2	3501.8	3849.0	3.64	6.21	19.27	2.38	1309.53
FT-SE Mid 250 ex Inv Trusts	3479.0	-0.2	3485.7	3500.7	3504.9	3841.2	3.78	6.71	17.96	2.34	1309.79
FT-SE-A 350	1521.5	-0.5	1529.9	1538.8	1537.3	1702.8	4.11	7.07	16.76	0.45	1189.10
FT-SE-A 350 Higher Yield	1544.5	-0.6	1553.2	1560.2	1557.5	1726.0	5.15	7.56	15.80	0.36	991.88
FT-SE-A 350 Lower Yield	1498.2	-0.5	1506.2	1512.9	1517.1	1637.8	3.06	6.56	17.84	0.53	987.91
FT-SE SmallCap	1745.58	-0.1	1747.31	1747.65	1746.41	1896.99	3.31	5.31	19.41	0.34	1364.66
FT-SE SmallCap ex Inv Trusts	1718.31	——	1719.08	1716.82	1715.85	1848.45	3.51	7.08	17.49	0.33	1347.89
FT-SE-A ALL-SHARE	1507.07	-0.6	1514.80	1521.08	1521.44	1683.61	4.04	7.01	16.94	0.43	1107.75

■ FT-SE Actuaries All-Share

	Jan 5	Day's chge%	Jan 4	Jan 3	Dec 30	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2657.69	-0.4	2668.02	2683.99	2679.29	2624.85	3.54	5.10	24.78	0.00	1072.92
12 Extractive Industries(7)	3659.27	-1.7	3723.68	3782.22	3762.94	3782.10	3.32	5.33	23.19	0.00	1009.75
15 Oil, Integrated(3)	2642.75	-0.1	2646.58	2659.21	2652.79	2574.78	3.68	5.68	21.91	0.00	1091.34
16 Oil Exploration & Prod(15)	1862.24	-0.6	1807.19	1875.52	1976.63	1914.30	2.63	‡	‡	0.00	1077.46
20 GEN INDUSTRIALS(279)	1620.18	-0.2	1623.66	1627.35	1626.24	2035.09	4.27	5.82	20.53	0.14	936.30
21 Building & Construction(38)	961.13	-0.3	964.32	971.34	983.23	1329.69	4.04	6.15	21.31	0.00	758.89
22 Building Matls & Merchs(32)	1748.31	-0.3	1753.65	1763.81	1768.19	2210.45	4.28	6.21	19.43	0.00	832.06
23 Chemicals(23)	2248.53	-0.3	2255.33	2268.45	2262.41	2333.19	4.20	4.83	25.70	0.60	1004.88

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	756	334	-1½
ASDA Group†	3,900	68¾	-¾
Abbey National†	2,100	432	+2
Albert Fisher	1,500	47	
Allied Domecq†	845	534	-1
Anglian Water	454	505	-4
Argos	143	344½	-1½
Argyll Group†	2,400	268	-7

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul	Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Allied Domecq (*534)	500	35½	49½	58	½	7	12	Hanson (*236)	220	16	22	25½	1	5	9
	550	2½	20	29	19	26½	34		240	6	10½	15	7½	13	17
Argyll	240	17	26½	29½	1	4	9½	Lasmo	140	7½	13½	16½	3½	0	9½

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	27	24
Other Fixed Interest	0	1	13
Mineral Extraction	26	83	86
General Manufacturers	109	131	399
Consumer Goods	35	42	107
Services	74	92	325
Utilities	4	28	10
Financials	47	134	182
Investment Trusts	28	137	298
Others	45	43	33
Totals	387	718	1497

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	December 19	Expiry	March 23
Last Dealings	January 9	Settlement	April 9

Calls: Memory Corp, Hobson, Reflex, VideoLogic. Puts: Reflex. Puts & Calls: London Elect., Memory Corp.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.94	98	90½	Asset Man Inv	98		-	-	-	-
-	F.P.	4,210.6	259	245½	BSkyB	245½	-10	N-	-	-	46.2
-	F.P.	38.7	64	43	Brit Assets Gth	63		-	-	-	-
-	F.P.	69.3	173	133	Clydeport	168		RN3.51	-	2.6	-
100	F.P.	19.4	109	96	Euclidian	97		-	-	-	-
-	F.P.	33.4	94	91	Fidelity Sp Val	91	-1	-	-	-	-
-	F.P.	2.20	31	23	Do Warrants	30	+1	-	-	-	-

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RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cn 2nd Pf		95½	-½	117	89¼	11.9	10.5	-
9¼pc Non-Cum Pf		116	-¼	137½	107	46.4	10.5	-
Cater Allen	‡†N□	449xd	-2	*630¼	445	145.4	7.9	9.2
Close Bros	‡N	223	—	*285½	209	212.3	4.2	18.1
Gerrard & Nat	‡†N□	479	-4	515	395	233.3	6.3	13.8
Hambros	‡N□	239	-2	473	209	420.1	7.9	14.6
7½pc Cv Pf		104	-1	191	99½	134.0	8.0	-
Joseph (L)	‡†N	406	—	443	400	21.4	6.4	11.9
King & Shaxson	‡N	103xd	—	179	163	17.8	10.9	10.2
Mcdonnell Benson	‡†N□	553	—	693	424	737.7	4.4	8.7
Rea Bros	‡†N□	65	—	79	53	26.0	1.8	18.5
Schroders	‡†N□	1446	-12	1574	1050	1,448	1.6	13.3
N/V	†N	1316	-19	1458	1043	392.2	1.8	12.1
Singer & Fried	‡†N□	60	—	114	75	107.0	4.8	11.1
Union	‡†N□	93	+1	*195	87	24.8	5.6	6.6
Warburg (SG)	‡N□	695	-5	1012	589	1,613	4.0	12.6
Wintrust	‡N	218	+2	390	203	18.2	6.0	14.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£13½	2,217	2.2	34.9
Barlow	♣	551½xd	—	£5¾	£3½	1,118	1.8	19.9
Gold Flds Prop R		138xa	+16	138	75	13.9	6.9	ɸ
NK Props		65	—	88	65	3.82	12.7	–
SASOL	♥	532	+4	582	280	3,069	5.6	–
SA Brews	†	£15⅞	–⅛	£18⅝	£16	4,166	1.9	23.3
Tiger Oats		783xd	—	838	538	1,147	2.0	17.8
Tongaat-Hulett	†h	704	–21	*725	358¼	641.6	5.6	20.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
e Not subject to ACT
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
S Forecast annualise yield, p/e based for prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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CURRENCIES AND MONEY

MARKETS REPORT

Peseta declines to new low against D-Mark

The Spanish currency dropped to a record low against the D-Mark yesterday amid persistent rumours that the country's central bank had intervened on the peseta's behalf, *writes Motoko Rich.*

Wednesday's interest rate rise failed to lift the peseta's fortunes and it closed at Pta85.54 against the D-Mark, from 85.01. The currency's previous low against the D-Mark was Pta85.30.

After the close of European trading the Swedish krona fell on news that Moody's Investors Service had downgraded Sweden's rating on long-term foreign currency debt. In London, it closed at SKr4.786 against the D-Mark, from SKr4.776.

New macroeconomic targets announced by the Mexican finance ministry for 1995 helped to firm the peso, which closed in London at 5.45 pesos against the dollar, from 5.575 pesos. Banco de Mexico also said the peso was "very undervalued" at current rates.

The dollar lost some of its shine as fresh selling from exporters curtailed its rise against the yen. In London, the dollar closed at Y101.0050 against the yen, from Y101.3150 and at DM1.5535 against the D-Mark, from DM1.559.

■ Throughout the day, there was widespread talk of intervention by the Bank of Spain to defend its beleaguered currency. Traders said the bank was selling dollars for D-Marks and buying pesetas with D-Marks, but the bank refused to comment on the rumours, which did not help the currency.

The peseta plunged through its all-time record low in early European trading and then hovered around that level. Mr Julian Jessop, analyst at HSBC Markets, said: "It just goes to show that higher interest rates do not help currencies, especially if the economic fundamentals are dodgy."

Mr Michiel Remers, a currency analyst at IDEA, the financial advisory service, said recent inflation data and Spain's current account deficit, as well as an unstable political scene, were providing the real focus for currency investors.

■ The action by Moody's Investor's Service to cut Sweden's foreign-currency debt rating from Aa3 to Aa2 came a day after market rumours had predicted the credit agency would not make such a move.

Mr Remers said: "The downgrade was largely discounted by the markets so the rumour that is was not going to happen was very positive for the Swedish krona."

After the close of European markets, the Swedish currency was trading at SKr4.8120-4.8170 against the D-Mark, down from its London close. Mr Remers said he expected the krona to weaken as far as Skr4.86 against the D-Mark.

The D-Mark firmed against most of the European crosses as the Bundesbank council left the German discount, Lombard and repo rates steady after the council's regular meeting.

■ The Mexican government announced revised macroeconomic goals for 1995, helping the peso to recover from Wednesday's losses.

The new targets included the prediction that Mexico would experience consumer inflation of 19 per cent by the end of the year and that the peso would rise to 4.5 pesos against the dollar.

■ The dollar traded within very narrow ranges above and below Y101 as markets braced for today's non-farm payroll report. US jobless claims for the last week of 1994 rose to their highest levels since mid-July and factory orders increased by 2.6 per cent, but the currency was largely unaffected.

Dr Gerard Lyons, chief economist at DKB International, said: "Because the jobless figures came from the last week of year, it may have been due to holiday effects."

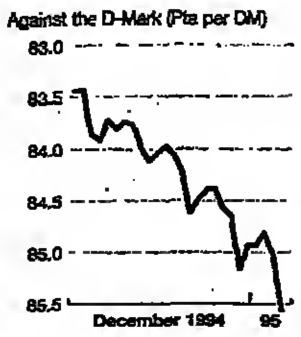
■ Sterling maintained a stable, if unspectacular performance, closing in London at DM2.4286 against the D-Mark from DM2.4357 and $1.5634 against the dollar from $1.5624.

Mr Jonathon Griggs, chief economic adviser at Barclays Bank, said: "Sterling is undervalued against the European currencies. It is fundamentally below its purchasing power equilibrium."

■ In its daily money market operations the Bank of England forecast a shortage of £1.3bn and provided liquidity of £1bn. It provided late assistance of £130m. Overnight rates traded between 6¼ and 4¾ per cent.

Peseta

Against the D-Mark (Pts per DM)



Source: FT Graphite

■ **Pound in New York**

Jan 5	Latest	Prev. close
£ spot	1.5640	1.5620
1 mth	1.5638	1.5618
3 mth	1.5636	1.5617
1 yr	1.5625	1.5603

■ **OTHER CURRENCIES**

Jan 5	£	$
Hungary	176.478 - 176.713	112.910 - 113.010
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4681 - 0.4693	0.2985 - 0.3001
Poland	3.8206 - 3.8264	2.4445 - 2.4470
Russia	5822.10 - 5825.22	3724.00 - 3726.00
U.A.E.	5.7404 - 5.7435	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1031	-0.0258	953 - 108	17.1425	17.0691	17.0893	1.0	17.0487	1.3	-	-	115.6
Belgium	(BFr)	49.9835	-0.1055	504 - 165	50.0630	49.9180	49.9435	1.0	49.8285	1.2	49.1885	1.6	117.4
Denmark	(DKr)	9.5404	-0.0329	358 - 448	9.5647	9.5291	9.5422	-0.2	9.5349	0.2	9.5103	0.3	116.8
Finland	(FM)	7.4385	+0.0028	310 - 460	7.4460	7.3870	-	-	-	-	-	-	89.0
France	(FFr)	8.3730	-0.0255	699 - 760	8.3885	8.3587	8.3707	0.3	8.3641	0.4	8.302	0.8	110.1
Germany	(DM)	2.4288	-0.0071	275 - 297	2.4365	2.4255	2.4266	1.0	2.4207	1.3	2.3887	1.6	126.9
Greece	(Dr)	377.158	-1.009	839 - 477	378.395	376.711	-	-	-	-	-	-	-
Ireland	(I£)	1.0116	-	109 - 122	1.0128	1.0094	1.0114	0.2	1.0115	0.0	1.0108	0.1	105.1
Italy	(L)	2536.15	-5.72	518 - 710	2538.90	2529.05	2540.9	-2.2	2550.58	-2.3	2593.55	-2.3	73.1
Luxembourg	(LFr)	49.9835	-0.1055	504 - 165	50.0630	49.9180	49.9435	1.0	49.8285	1.2	49.1885	1.6	117.4
Netherlands	(Fl)	2.7221	-0.0072	207 - 235	2.7277	2.7195	2.7199	1.0	2.7137	1.2	2.6745	1.7	121.3
Norway	(NKr)	10.5933	-0.0354	885 - 980	10.6303	10.5807	10.5928	0.1	10.5916	0.1	10.5833	0.1	96.4
Portugal	(Es)	249.745	-0.309	811 - 679	250.256	249.479	250.565	-3.9	252.04	-3.7	-	-	-
Spain	(Pta)	207.707	-0.656	566 - 847	207.868	206.632	208.062	-2.1	208.787	-2.1	211.937	-2.0	83.9
Sweden	(SKr)	11.6215	-0.0128	111 - 319	11.6568	11.5739	11.6385	-1.8	11.667	-1.6	11.7775	-1.3	76.0
Switzerland	(SFr)	2.0410	-0.0119	397 - 422	2.0477	2.0367	2.0372	2.2	2.0294	2.3	1.9797	3.0	122.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2757	-0.0039	751 - 762	1.2783	1.2747	1.2753	0.3	1.275	0.2	1.2671	0.7	-
SDR†	-	0.930426	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5601	-0.0001	596 - 606	1.5607	1.5564	-	-	-	-	-	-	-
Brazil	(R)	1.3156	-0.0031	145 - 166	1.3201	1.3140	-	-	-	-	-	-	-
Canada	(C$)	2.1919	-0.0037	909 - 926	2.1946	2.1794	2.192	-0.1	2.1936	-0.3	2.2044	-0.6	84.5
Mexico	(New Peso)	8.5203	-0.1899	402 - 004	8.6026	8.3615	-	-	-	-	-	-	-
USA	($)	1.5634	+0.001	630 - 637	1.5641	1.5585	1.5632	0.2	1.5631	0.1	1.5615	0.1	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0368	+0.0005	357 - 379	2.0387	2.0258	2.0397	-1.7	2.0464	-1.9	2.0831	-2.3	-
Hong Kong	(HK$)	12.1085	+0.0146	050 - 120	12.1120	12.0724	12.0775	3.1	12.14	-1.0	12.053	0.5	-
India	(Rs)	49.0345	+0.0274	196 - 494	49.0680	48.9220	-	-	-	-	-	-	-
Japan	(Y)	157.907	-0.383	832 - 981	158.190	157.470	157.407	3.9	156.302	4.1	150.157	4.9	188.2
Malaysia	(M$)	3.9856	-0.0013	849 - 882	3.9885	3.9805	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4475	-0.0025	460 - 490	2.4497	2.4403	2.4533	-2.8	2.4642	-2.7	2.4967	-2.1	-
Philippines	(Peso)	38.3490	-0.0068	622 - 357	38.5800	38.2450	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8647	+0.0035	631 - 662	5.8674	5.8508	-	-	-	-	-	-	-
Singapore	(S$)	2.2716	-0.0009	703 - 728	2.2735	2.2655	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5589	+0.0028	565 - 613	5.5614	5.5462	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3316	-0.0119	145 - 486	6.3491	6.3121	-	-	-	-	-	-	-
South Korea	(Won)	1234.89	+0.71	446 - 532	1235.37	1231.07	-	-	-	-	-	-	-
Taiwan	(T$)	41.1845	-0.2033	971 - 018	41.2102	40.9213	-	-	-	-	-	-	-
Thailand	(Bt)	39.2823	+0.0204	672 - 973	39.3070	39.1980	-	-	-	-	-	-	-

†SDR rates for Jan 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9400	-0.0235	375 - 425	10.9700	10.9200	10.9325	0.8	10.918	0.9	10.9185	1.1	104.9
Belgium	(BFr)	31.9720	-0.088	580 - 860	32.0700	31.9450	31.9485	0.8	31.877	1.2	31.497	1.5	106.3
Denmark	(DKr)	6.1025	-0.025	010 - 040	6.1308	6.0975	6.1032	-0.1	6.105	-0.2	6.0895	0.2	105.1
Finland	(FM)	4.7581	-0.0012	543 - 616	4.7659	4.7270	4.7558	0.6	4.7511	0.6	4.7306	0.8	83.6
France	(FFr)	5.3558	-0.0198	550 - 565	5.3755	5.3500	5.355	0.2	5.351	0.4	5.3158	0.7	106.2
Germany	(D)	1.5535	-0.0055	531 - 538	1.5615	1.5520	1.5524	0.8	1.5498	1.2	1.5263	1.8	107.5
Greece	(Dr)	241.250	-0.8	100 - 400	241.700	241.100	243.75	-12.4	248	-11.2	264.75	-9.7	66.2
Ireland	(I£)	1.5455	+0.0011	448 - 462	1.5485	1.5423	1.5456	-0.1	1.5453	0.1	1.5456	0.0	-
Italy	(L)	1622.25	-4.7	200 - 250	1625.50	1619.75	1626.65	-2.5	1631.75	-2.3	1660.75	-2.4	73.6
Luxembourg	(LFr)	31.9720	-0.089	580 - 860	32.0700	31.9450	31.9485	0.8	31.877	1.2	31.497	1.5	106.3
Netherlands	(Fl)	1.7412	-0.0057	407 - 417	1.7480	1.7397	1.74	0.9	1.7381	1.2	1.7125	1.7	105.9
Norway	(NKr)	6.7760	-0.027	745 - 775	6.8095	6.7715	6.7723	0.7	6.7665	0.8	6.716	0.9	96.4
Portugal	(Es)	159.750	-0.3	700 - 800	160.000	159.670	160.325	-4.3	161.375	-4.1	164.975	-3.2	95.2
Spain	(Pta)	132.860	+0.335	800 - 920	132.820	132.270	133.105	-2.2	133.576	-2.2	135.71	-2.1	79.3
Sweden	(SKr)	7.4337	-0.013	287 - 387	7.4844	7.4168	7.4449	-1.5	7.4842	-1.9	7.5412	-1.4	81.3
Switzerland	(SFr)	1.3055	-0.0085	050 - 060	1.3122	1.3035	1.3033	2.1	1.2983	2.2	1.2678	2.9	107.2
UK	(£)	1.5634	-0.001	630 - 637	1.5641	1.5585	1.5632	0.2	1.5631	0.1	1.5615	0.1	80.4
Ecu	-	1.2258	+0.0048	253 - 258	1.2259	1.2209	1.2258	-0.2	1.2261	-0.1	1.2328	-0.6	-
SDR†	-	1.45183	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9979	-0.0007	978 - 980	0.9987	0.9978	-	-	-	-	-	-	-
Brazil	(R)	0.8415	-0.0025	410 - 420	0.8440	0.8410	-	-	-	-	-	-	-
Canada	(C$)	1.4020	-0.0033	017 - 022	1.4060	1.3985	1.4021	0.0	1.4034	-0.4	1.4116	-0.7	91.3
Mexico	(New Peso)	5.4500	-0.125	000 - 000	5.5000	5.3500	5.451	-0.2	5.4528	-0.2	5.4602	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	87.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3028	-0.0008	024 - 032	1.3032	1.2975	1.3035	-0.7	1.3053	-0.8	1.3181	-1.2	91.3
Hong Kong	(HK$)	7.7452	-0.0044	447 - 457	7.7457	7.7410	7.7432	0.3	7.742	0.2	7.7497	-0.1	-
India	(Rs)	31.3650	-0.0025	625 - 678	31.3700	31.3625	31.435	-2.7	31.58	-2.7	-	-	-
Japan	(Y)	101.005	-0.31	980 - 030	101.350	100.850	100.665	3.7	99.995	4.0	96.14	4.8	147.1
Malaysia	(M$)	2.5500	-0.0025	495 - 505	2.5525	2.5470	2.547	1.4	2.5425	1.2	2.5705	-0.8	-
New Zealand	(NZ$)	1.5655	-0.0026	649 - 661	1.5669	1.5629	1.5664	-0.7	1.5689	-0.9	1.5779	-0.6	-
Philippines	(Peso)	24.5300	-0.02	800 - 800	25.0000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7514	-0.0001	512 - 515	3.7515	3.7512	3.755	-1.1	3.7619	-1.1	3.7764	-0.7	-
Singapore	(S$)	1.4530	-0.0015	525 - 535	1.4536	1.4520	1.4515	1.3	1.448	1.4	1.4315	1.5	-
S Africa (Com.)	(R)	3.5558	-0.0005	550 - 565	3.5565	3.5530	3.5713	-5.2	3.6034	-5.4	3.7683	-6.0	-
S Africa (Fin.)	(R)	4.0500	+0.005	400 - 600	4.0800	4.0400	4.078	-8.3	4.1225	-7.2	4.36	-7.7	-
South Korea	(Won)	789.900	-0.05	800 - 000	790.100	789.300	792.9	-4.9	796.4	-3.3	814.9	-3.2	-
Taiwan	(T$)	26.3438	+0.1133	385 - 490	26.3490	26.2680	26.3638	-0.9	26.4038	-0.9	-	-	-
Thailand	(Bt)	25.1270	-0.008	230 - 310	25.1310	25.1230	25.1565	-1.4	25.2475	-1.9	25.652	-2.1	-

†SDR rate for Jan 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 4. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 5	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5¼	5⅜	5¼	5⅜	6¼	7.40	4.50	-
week ago	5¼	5¼	5⅝	5 13/16	6⅜	7.40	4.50	-
France	5 11/16	5⅝	5 13/16	6⅛	6 13/16	5.00	-	6.75
week ago	5⅝	5⅝	6⅜	6⅜	7⅛	5.00	-	6.75
Germany	4.80	5.02	5.15	5.35	5.85	6.00	4.50	4.85
week ago	4.88	5.02	5.23	5.43	5.83	6.00	4.50	4.85
Ireland	5⅞	5⅞	6⅝	6 13/16	7⅛	-	-	6.25
week ago	5⅞	5 13/16	6¾	6 11/16	7⅛	-	-	6.25
Italy	8⅝	8¼	8⅞	8⅞	10⅛	-	7.50	8.20
week ago	9⅝	8¾	9⅜	8¾	10½	-	7.50	8.20
Netherlands	4.84	5.15	5.23	5.47	5.85	-	5.25	-
week ago	4.84	5.15	5.37	5.57	5.95	-	5.25	-
Switzerland	3½	4	4⅛	4½	4⅞	6.625	3.50	-
week ago	3⅝	4	4⅜	4½	4⅞	6.625	3.50	-
US	5⅝	5¾	6⅛	6⅞	7⅜	-	4.75	-
week ago	5½	5¾	6⅜	6⅞	7⅝	-	4.75	-
Japan	2¼	2⅜	2¼	2¼	2⅞	-	1.75	-
week ago	2¼	2⅜	2⅜	2¼	2⅞	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	5⅝	6 1/16	6⅞	7⅞	-	-	-
week ago	-	5⅞	6½	7	7⅜	-	-	-
US Dollar CDs	-	5.68	6.19	6.70	7.48	-	-	-
week ago	-	5.68	6.00	6.54	7.34	-	-	-
SDR Linked Ds	-	4¾	4⅞	5¼	5⅝	-	-	-
week ago	-	4⅝	4⅞	5¼	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5⅝ - 5½	6¼ - 6⅛
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4¾ - 4⅝	4⅞ - 4¾	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	5⅞ - 5¾
Dutch Guilder	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5⅛ - 5 3/16	5 7/16 - 5⅜	6 - 5⅞
French Franc	5 7/16 - 5 5/16	5½ - 5⅜	5 11/16 - 5 9/16	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7 - 6⅞
Portuguese Esc.	9¾ - 8⅝	8⅞ - 8¾	10⅛ - 9⅞	10 11/16 - 10 7/16	11⅛ - 10⅞	11⅜ - 11⅛
Spanish Peseta	8 3/16 - 8 1/16	8¼ - 8⅛	8½ - 8⅜	9⅛ - 9	9⅝ - 9½	10⅜ - 10¼
Sterling	5½ - 5¼	5¾ - 5½	6 1/16 - 5 15/16	6⅝ - 6½	7⅛ - 7	7 15/16 - 7 13/16
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3 15/16 - 3 13/16	4¼ - 4⅛	4½ - 4⅜	4 13/16 - 4 11/16
Can. Dollar	5 13/16 - 5⅝	5¾ - 5⅝	5⅞ - 5¾	6 13/16 - 6 11/16	7⅝ - 7½	8⅝ - 8½
US Dollar	5 13/16 - 5 11/16	5 15/16 - 5 13/16	5 15/16 - 5 13/16	6½ - 6⅜	7 - 6⅞	7 13/16 - 7 11/16
Italian Lira	8 - 7½	8 7/16 - 8 5/16	8½ - 8⅜	9 - 8⅞	9 13/16 - 9 11/16	10½ - 10⅜
Yen	2¼ - 2 3/16	2⅜ - 2¼	2 5/16 - 2¼	2 7/16 - 2⅜	2½ - 2 7/16	2 11/16 - 2⅝
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4 3/16 - 4 1/16	4 9/16 - 4 7/16	4⅝ - 4½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.45	93.43	+0.06	93.50	93.39	35,666	49,006
Jun	93.04	93.01	+0.06	93.07	92.98	20,287	51,267
Sep	92.70	92.72	+0.03	92.78	92.70	8,691	30,768
Dec	92.47	92.45	+0.02	92.50	92.43	3,176	19,098

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		92.85	+0.02			0	1456
Jun		92.12	+0.02			0	443
Sep		91.77	+0.03			0	177
Dec		91.58	+0.04			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.48	94.47	+0.02	94.51	94.45	50952	205682
Jun	94.06	94.04	-	94.10	94.02	32180	139428
Sep	93.67	93.63	-0.01	93.69	93.61	18561	89197
Dec	93.27	93.22	-0.03	93.29	93.21	8444	65845

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.09	90.04	-0.05	90.15	89.95	10967	32412
Jun	89.58	89.50	-0.07	89.60	89.48	3425	19495
Sep	89.28	89.21	-0.09	89.31	89.20	1704	22534
Dec	89.07	88.97	-0.11	89.07	88.97	772	15287

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.62	95.52	+0.01	95.54	95.51	5290	20127
Jun	95.22	95.22	+0.01	95.23	95.20	1063	7832
Sep	94.94	94.96	+0.03	94.96	94.91	713	6222
Dec	94.75	94.73	-0.01	94.76	94.70	898	2088

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.31	93.28	+0.02	93.32	93.25	1441	8421
Jun	92.85	92.80	+0.01	92.85	92.76	492	5129
Sep	92.44	92.40	+0.03	92.44	92.40	252	2747
Dec	92.12	92.03	-0.03	92.13	92.02	441	1363

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	16.75	4.858	2.023	5074	5.446	21.19	499.8	415.6	23.25	4.084	2.001	4.384	3.127	315.9	2.551
Denmark	(DKr)	52.39	10	8.777	2.545	1.060	2658	2.853	11.10	261.7	217.7	12.18	2.139	1.048	2.297	1.638	165.5	1.336
France	(FFr)	59.69	11.39	10	2.900	1.207	3029	3.251	12.65	298.2	248.1	13.88	2.438	1.194	2.617	1.867	188.6	1.523
Germany	(DM)	20.58	3.929	3.449	1	0.416	1044	1.121	4.362	102.8	85.54	4.786	0.841	0.412	0.902	0.644	65.03	0.525
Ireland	(I£)	49.44	9.436	8.282	2.402	1	2508	2.692	10.47	247.0	205.4	11.49	2.019	0.989	2.167	1.546	156.2	1.261
Italy	(L)	1.971	0.376	0.330	0.096	0.040	100.	0.107	0.418	9.848	8.190	0.458	0.080	0.039	0.086	0.062	6.228	0.050
Netherlands	(Fl)	18.36	3.505	3.076	0.892	0.371	931.7	1	3.891	91.73	76.30	4.269	0.750	0.367	0.805	0.574	58.01	0.468
Norway	(NKr)	47.20	9.008	7.907	2.293	0.955	2395	2.570	10	235.8	196.1	10.97	1.927	0.944	2.069	1.476	149.1	1.204
Portugal	(Es)	20.02	3.821	3.353	0.972	0.405	1016	1.090	4.241	100.	83.19	4.654	0.817	0.400	0.877	0.626	63.24	0.511
Spain	(Pta)	24.06	4.593	4.031	1.169	0.487	1221	1.311	5.098	120.2	100.	5.595	0.983	0.481	1.055	0.753	76.02	0.614
Sweden	(SKr)	43.01	8.210	7.206	2.090	0.870	2182	2.343	9.114	214.9	178.7	10	1.756	0.861	1.886	1.345	135.9	1.097
Switzerland	(SFr)	24.49	4.674	4.102	1.190	0.495	1243	1.334	5.189	122.3	101.8	5.693	1	0.490	1.073	0.766	77.36	0.625
UK	(£)	49.96	9.540	8.373	2.428	1.011	2536	2.722	10.59	249.7	207.7	11.62	2.041	1	2.181	1.563	157.9	1.275
Canada	(C$)	22.81	4.354	3.822	1.108	0.461	1157	1.242	4.833	114.0	94.80	5.304	0.932	0.456	1	0.713	72.07	0.582
US	($)	31.98	6.104	5.357	1.553	0.647	1623	1.742	6.776	159.8	132.9	7.434	1.306	0.640	1.402	1	101.0	0.816
Japan	(Y)	31.65	6.042	5.303	1.538	0.640	1606	1.724	6.707	158.1	131.5	7.359	1.293	0.633	1.388	0.990	100.	0.807
Ecu		39.20	7.482	6.567	1.904	0.793	1989	2.135	8.308	195.8	162.9	9.114	1.601	0.784	1.718	1.226	123.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6422	0.6454	-0.0029	0.6455	0.0416	27,434	69,564
Jun	0.6473	0.6480	-	0.6480	0.6470	136	1,963
Sep	0.6500	0.6505	-	0.6505	0.6500	1	140

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9948	0.9977	+0.0041	0.9987	0.9925	34,585	79,887
Jun	1.0085	1.0103	+0.0040	1.0108	1.0090	585	6,779
Sep	-	1.0108	-	-	-	7	332

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

Mar	0.7659	0.7698	+0.0042	0.7700	0.7645	11,532	34,648
Jun	0.7740	0.7752	+0.0040	0.7752	0.7740	37	665
Sep	-	0.7800	-	0.7800	-	9	60

■ **STERLING FUTURES** (IMM) £62,500 per £

Mar	1.5608	1.5622	+0.0018	1.5640	1.5604	6,069	53,790
Jun	1.5600	1.5626	+0.0024	1.5626	1.5600	11	539
Sep	-	1.5620	-	1.5620	-	6	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	9½ - 4¼	6 1/16 - 5¾	5½ - 5⅞	6⅝ - 6 7/16	7⅛ - 7	7 13/16 - 7 11/16
Sterling CDs	-	-	6 - 5 15/16	6½ - 6 7/16	7 - 6⅞	7¾ - 7 11/16
Treasury Bills	-	-	5 15/16 - 5 13/16	6⅜ - 6¼	-	-
Bank Bills	-	-	5 31/32 - 5 27/32	6 7/16 - 6 11/32	6⅞ - 6¾	-
Local authority deps.	6 13/16 - 5 11/16	5 13/16 - 5 11/16	6 1/16 - 5 15/16	6 9/16 - 6 7/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	6½ - 5	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9162pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.64	92.64	+0.01	92.68	92.63	17444	97289
Jun	91.93	91.91	+0.03	91.98	91.90	14291	86753
Sep	91.38	91.38	-0.04	91.43	91.36	7347	65252
Dec	91.09	91.06	+0.02	91.11	91.05	4372	46373

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9250	0.31	0.16	0.14	0.17	0.75	1.26
9275	0.17	0.10	0.03	0.28	0.94	1.46
9300	0.08	0.06	0.06	0.44	1.15	1.68

Est. vol. total, Calls 7452 Puts 3200. Previous day's open int., Calls 92236 Puts 87208

EMS EUROPEAN CURRENCY UNIT RATES

Jan 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13742	+0.00037	-2.70	8.28	-
Belgium	40.2123	39.2212	+0.0087	-2.46	8.02	19
Germany	1.94964	1.90710	-0.00092	-2.16	7.71	-
Ireland	0.808628	0.794063	+0.000935	-1.80	7.28	12
France	6.53883	6.57121	-0.0056	0.50	4.84	-4
Denmark	7.43679	7.49042	-0.00217	0.72	4.60	-5
Portugal	192.854	195.996	+0.168	1.63	3.67	-11
Spain	154.250	162.514	-0.464	5.36	0.00	-37
NON ERM MEMBERS						
Greece	264.513	295.987	-0.095	11.90	-5.65	-
Italy	1793.19	1988.26	-2.26	10.88	-4.98	-
UK	0.786749	0.785368	+0.001738	-0.18	6.54	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.500	6.15	6.23	6.48	-	0.08	0.38
1.525	3.69	4.04	4.48	-	0.38	0.84
1.550	1.54	2.29	2.83	0.28	1.05	1.66
1.575	0.29	1.06	1.68	1.53	2.31	2.86
1.600	-	0.40	0.87	3.68	4.08	4.54
1.625	-	0.10	0.41	6.13	6.27	6.55

Previous day's vol., Calls 10,847 Puts 15,404 . Prev. day's open int., Calls 204,322 Puts 225,520

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.89	92.85	-0.04	92.88	92.84	147,186	469,281
Jun	92.18	92.12	-0.06	92.18	92.12	152,419	372,184
Sep	91.79	91.76	-0.08	91.84	91.78	78,191	290,573

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

Mar	93.51	93.54	-0.03	93.52	93.50	1,158	18,389
Jun	92.81	92.80	-0.05	92.82	92.79	431	3,833
Sep	-	92.44	-	-	92.44	127	875

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
9425	0.23	0.27	0.32	0.18	0.01	0.05	0.10	0.40
9450	0.05	0.10	0.14	0.10	0.08	0.13	0.17	0.56
9475	0.01	0.02	0.05	0.05	0.29	0.30	0.33	0.76

Est. vol. total, Calls 5092 Puts 10299. Previous day's open int., Calls 125473 Puts 161603

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9550	0.15	0.15	0.14	0.13	0.43	0.69
9575	0.06	0.08	0.08	0.29	0.61	0.87
9600	0.02	0.04	0.04	0.50	0.82	1.06

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1365 Puts 1765

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 5 / Sch)

BELGIUM/LUXEMBOURG (Jan 5 / Frs.)

DENMARK (Jan 5 / Kr)

FINLAND (Jan 5 / Mks)

FRANCE (Jan 5 / Frs.)

GERMANY (Jan 5 / Dm.)

ITALY (Jan 5 / Lira)

NETHERLANDS (Jan 5 / Fls.)

NORWAY (Jan 5 / Kroner)

SPAIN (Jan 5 / Pts.)

SWEDEN (Jan 5 / Kronor)

SWITZERLAND (Jan 5 / Frs.)

PACIFIC

JAPAN (Jan 5 / Yen)

AUSTRALIA (Jan 5 / Aust.$)

HONG KONG (Jan 5 / H.K.$)

MALAYSIA (Jan 5 / MYR)

SINGAPORE (Jan 5 / S$)

NORTH AMERICA

CANADA

TORONTO (Jan 5 / Can $)

4 pm close

MONTREAL (Jan 5 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 5 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ **TOKYO - MOST ACTIVE STOCKS:** Thursday, January 5, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Paint	6.4m	717	-1	Nissan Motor	2.0m	818	-5
Hitachi	2.9m	990	-7	Fuji Photo	2.0m	2310	-40
Oki Electric	2.8m	689	-7	Sharp	1.8m	1770	-40
Sakai Ovex	2.3m	739	+9	Nippon Steel	1.8m	372	+4
Mitsubishi Hvy	2.1m	752	-9	Isuzu Motors	1.8m	508	+8

INDICES

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1910.0	1879.0	-29.0	1910.0	1875.0	16,939	22,315
Feb	1920.0	1888.5	-29.5	1920.0	1897.5	231	1,277
Mar	1926.5	1897.5	-29.0	1928.5	1896.0	1,370	19,509

Open interest figures for previous day.

** Sat Dec 31: Taiwan Weighted Price (c) ; Korea Comp Ex (c) . Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 5 - 2051.46 -21.44.

US INDICES

DJ Ind. Day's high 3876.83 (3884.72) Low 3816.26 (3805.50) (Theoretical♦)
Day's high 3857.99 (3845.20) Low 3831.07 (3827.71) (Actual♦)

Standard and Poors							
Composite ‡	460.71	459.11	459.27	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.70	546.29	547.51	563.16 (26/10/94)	510.05 (21/4/94)	563.16 (26/10/94)	3.62 (21/6/32)
Financial	42.05	41.64	41.41	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.46	250.73	250.94	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.54	433.16	433.67	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	745.84†	743.58	751.96	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 30	Dec 23	Dec 16	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.80	2.68
	Jan 4	Dec 28	Dec 21	Year ago
S & P Ind. Div. yield	2.45	2.44	2.45	2.40
S & P Ind. P/E ratio	16.71	18.76	16.68	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	463.75	462.75	-1.00	463.80	462.75	61,799	201,455
Jun	467.40	467.15	-0.80	467.40	467.15	507	8,112
Sep	-	472.80	-	-	472.80	202	2,729

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	12,719,900	37⅞	-¼
RJR Nabisco	9,063,500	5¾	+⅛
Repsol	5,225,900	27⅝	-⅛
Wal-Mart	3,892,500	21⅝	+⅛
Gen Motors	3,958,300	43⅞	+1½
Chrysler	3,531,200	50¾	+1¾
Pepsico	3,370,500	35⅝	-⅛
Am Barrick	3,047,700	20⅞	-⅛
Grupo Tel	2,818,600	28⅛	-1⅛
Philip Morris	2,626,200	58⅞	+1¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 4	Jan 3	Dec 30
New York SE	319.455	262.100	228.732
Amex	23.812	13.484	24.840
NASDAQ	288.252	229.708	299.344
NYSE			
Issues Traded	2,938	2,917	2,983
Rises	1,411	1,175	1,383
Falls	937	1,195	996
Unchanged	590	547	604
New Highs	25	17	62
New Lows	88	51	72

† Corrections: Corrected fig Jan 2 303.13. * Calc at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Trans. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figs in brackets are prev day's). ♥ Subject to official recalculation.

4 pm close January 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅞	11⅞	AAR	0.48	3.6	24	62	13⅜	13	13¼	+⅛
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
79½	57⅝	AMP	1.68	2.4	22	1699	72	71⅛	71⅞	-¼
72¾	48⅞	AMR			118	6587	56⅞	55	56⅛	+1⅛
5	3⅛	ARX			12	95	3⅞	5¼	3⅞	
56⅛	38⅝	ASA	2.00	4.7	28	713	43¾	42⅛	42⅞	+¾
33⅞	25⅜	AbbotL	0.76	2.3	17	9219	32⅞	32½	32½	-¼
15¼	11⅛	Abitibi Pr	0.60	3.7	12	68	13⅝	13½	13⅝	-⅛
23⅞	17¼	ABM Ind	0.68	2.8	13	12	22¾	22½	22¾	+¼
18	11⅛	Acptncein			11	62	15	14¼	15	+¼
31	20¾	ACE Ltd	0.44	1.8	34	2034	23½	23¼	23⅜	-½
12½	0	ACM Gvt In	1.08	11.5	6	216	9½	9⅜	9½	
10⅛	6⅞	ACM GvOpp	0.80	10.8		27	7½	7⅜	7⅜	-⅛
10⅝	6¼	ACM Gvt Sp	0.05	13.0		219	7⅝	7¼	7⅝	
13	7⅝	ACM Gvt 35	1.09	12.8		200	8½	8¼	8½	+¼
11¾	7⅜	ACM Man	1.50	13.1		47	8⅜	8¼	8¼	-½
9¼	7½	ACM Managd	0.72	9.6		100	7⅝	d7½	7½	
15½	8¾	AcmeClv	0.44	4.2	21	38	10½	10⅜	10⅛	+¼
13⅞	6½	Acme Elect			13	64	13⅛	12⅝	13	+⅛
33½	23	Acordia	0.60	1.9	19	35	32⅝	32⅝	32⅝	+⅜
13¾	5¾	Actava	0.36	3.0	2	52	9⅛	9⅛	9⅛	-⅛
18⅜	11¼	Acuson			20	254	16¼	15⅞	15⅞	-⅜
19⅛	15½	Adams Exp	0.08	4.2	0	4080	18	15¾	16	+⅛
64	49½	Ad Micro	3.00	5.8		143	54⅜	54	54	-¼
21¾	16¾	AdvMic	3.50	11.8	8	5002	25¾	25½	25½	
8⅞	5	Advest Grp	0.16	3.1	16	21	5¼	5⅛	5⅛	
20	15	Advo Inc	0.18	8.8	15	7	16¾	16⅝	16⅝	-¼
64⅞	49⅞	Aegon ADR	1.47	2.3	12	20	u64⅞	64⅜	64⅞	+⅞
65¾	42¼	AetnaL	2.76	5.9	6	1052	47⅜	46⅞	46⅞	-⅜
[illegible]										

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NYSE COMPOSITE PRICES

4 pm close January 5

Continued from previous page

- X - Y - Z -

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
112¾	87¾	Xerox	3.00	3.1	59	2606	98⅜	97¾	98⅛	+⅜
53¼	40	Xtra Corp	0.56	1.2	13	133	44⅞	44¼	44⅞	+⅛
25½	20	Yankee Egy	1.22	5.6	11	34	21¾	21⅝	21¾	+¼
42½	33⅞	York Int	0.16	0.4	16	633	35⅞	35½	35⅞	
5½	1	Zapata	0.14	3.5	12	1856	4⅛	3⅞	4	
14⅛	7	ZnthEl			6	1006	11⅜	11	11	-⅜
27⅞	20⅝	Zenith Nat	1.00	4.5	10	57	22¼	22	22⅛	
7⅞	6	Zenix Inc	0.83	13.0		91	6⅜	6¼	6⅜	
16⅛	11⅞	Zero	0.40	3.0	15	13	13½	13¼	13½	-⅛
29¾	16¾	Zurn Ind	0.88	4.8	612	31	18⅞	18	18⅞	+⅞
13⅞	10⅛	Zweig Fund	1.04	9.5		638	11	10⅝	11	+¼
10¾	7¾	Zweig Tot	0.84	10.3		218	8⅛	8	8⅛	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 5

NASDAQ NATIONAL MARKET

4 pm close January 5

Weekend FT

AMERICA

Dow pays little heed to decline in bonds

Wall Street

US shares were mixed yesterday morning as blue chip stocks gave up some of their gains of the day before, *writes Richard Waters in New York.*

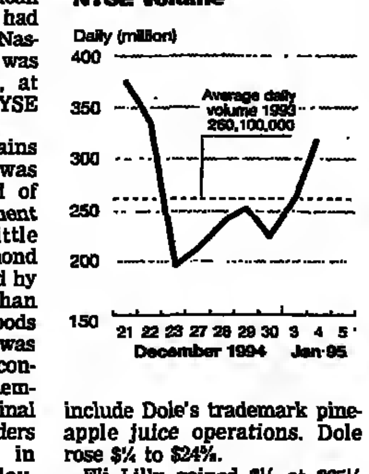
By 1 pm, the Dow Jones Industrial Average had receded 6.06 to 3,851.59. The more hroadly based Standard & Poor's 500 was down 0.31 at 460.40 and the American Stock Exchange composite had slipped 0.36 to 433.18. The Nasdaq composite, meanwhile, was up 1.20 on the morning, at 747.04. Volume on the NYSE was 180m shares.

After recording solid gains on Wednesday, trading was generally lacklustre ahead of today's December employment report. Traders paid little attention to the sinking hond market, which was troubled by data showing etronger than expected gains in factory goods orders for November. Nor was the stock market unduly concerned by data on initial unemployment claims for the final week of last year, with traders prefering to hold fire in advance of the full employment report this morning.

Retailing companles were mostly higher as stores reported their December sales. Dayton Hudson rose $1/2 to $70⅝, Dillard Department Stores was up $¼ at $25⅞, JC Penney climbed $⅜ to $43 and Wal-Mart firmed $⅜ to $23. Sears Roehuck eased $⅛ to $47⅛ despite a strong 7.9 per cent rise in same store sales.

Seagram was up $¼ at $29⅝ after the spirits and soft drinks company announced that it would buy the juice operations of Dole Food for approximataly $285m. The deal will not include Dole's trademark pineapple juice operations. Dole rose $¼ to $24⅝.

NYSE volume



Eli Lilly gained $⅛ at $65¼ after the pharmaceuticals company reported that it would pay Genentech about $145m to settle a dispute over a patent on recombinant human growth bormone. Genentecb rose $¼ to $46⅝ on the news, which also helped another biotech company, Centocor, which had also faced legal action from Genentech. Centocor's shares rose $⅛ to $17¼.

Among other drugs companiee, Bristol-Myers Squibb moved up $⅝ to $58⅞ after the company won regulatory approval to sell its anti-depressant, Serzone, in the US. Meanwhile, shares in Kemper, the insurance group which was the subject of two takeover approaches last year, jumped $2¼ amid rumours that the company could be the subject of another takeover bid. However, its share price, at $41⅞, was still well below the high of nearly $65 hit last summer.

Canada

Toronto was searching for direction yesterday after two days of declines, and by 1 pm the TSE 300 composite index registered a 1.76 advance at 4,156.29. Volume picked up to a hefty 32.8m shares by 1 pm.

Analysts commented that the market was likely to remain cautious until after the next meeting of the US Federal Open Market Committee on January 31. Many investors believed that this month's US economic data would indicate that the US economy was finally slowing.

Mexico up on Ortiz comments

Equities in Mexico reacted favourably to the meeting of Mr Guillermo Ortiz, the finance minister, with US investors and fund managers in New York early yesterday.

Comments from Mr Ortiz, which included his statement that the country was able to cover its short-term debt commitments, lifted the peso against the dollar. The IPC index added 15.58 or 0.7 per cent at 2,285.45.

Brazil

São Paulo was up 0.4 per cent in light midday trading, but the rise was technically inspired following a loss of more than 11.4 per cent in the index over the last two weeks.

The Bovespa index was 47 higher at 39,726 by 1 pm in turnover of R$116.8m ($138.7m).

Argentina

Buenos Aires lost an early gain of more than 1 per cent, with the Merval index up 0.72 at 444.10 by midsession.

S Africa marked lower for third straight day

Johannesburg was lower for the third consecutive day after bullion traded around $375 an ounce, hnt support appeared towards tha close to steady prices in thln trade.

Industrials managed a steady ahowlng, largely as a result of Wall Street's gains overnight and some foreign interest in the sector. However, dealers said that losses for South African ADRs in New York had capped any chance of a bounce ln the stocks.

Tha overall index finished 26.8 down at 5,751.7 and industrials were 10.8 lower at 6,951, while golds weakened 38.2 or 2 per cent to 1,860.7 for an 8 per cent drop over the last three days. De Beers lost 25 cents st R93.75, Anglos fell R2.50 to R226 and SAB shed R1.25 to R95. Liberty gave up 50 cents at R94.50 in s further fall from late-December's R100 high. Banks came under pressure, Absa dipping 20 cents to R11.60 and Nedcor 50 cents to R42.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Dec. 30 1994	% Change over week	% Change on Dec '93	Local currency terms: Dec. 30 1994	% Change over week	% Change on Dec '93
Latin America	(207)	578.56	-0.8	-10.9			
Argentina	(24)	735.41	-4.0	-26.0	451,312.52	-4.0	-26.0
Brazil	(57)	383.65	+1.6	+64.8	1,215,903,028	+0.9	+1,096.5
Chile	(25)	785.03	-0.2	+42.3	1,261.86	-1.0	+32.4
Colombia[1]	(11)	811.58	+5.0	+25.9	1,195.33	+5.7	+28.8
Mexico	(67)	606.94	-2.6	-39.7	1,289.27	+2.7	-4.5
Peru[2]	(11)	178.33	-0.9	+47.5	237.83	+0.2	+49.8
Venezuela[3]	(12)	494.96	+6.8	-16.4	1,932.85	+6.8	+36.0
Asia	(558)	248.38	-0.4	-14.7			
China[4]	(18)	75.86	-1.5	-49.2	80.96	-1.7	-50.7
South Korea[5]	(156)	136.78	-0.8	+15.8	141.75	-1.1	+12.9
Philippines	(19)	298.10	-0.8	-12.5	351.38	+0.2	-20.9
Taiwan, China[6]	(90)	164.41	+4.3	+21.8	162.26	+3.9	+21.3
India[7]	(76)	123.49	+0.1	+6.0	137.61	+0.0	+6.9
Indonesia[8]	(38)	99.76	-0.8	-20.0	119.08	-0.4	-18.4
Malaysia	(104)	266.66	-1.0	-21.4	251.28	-1.4	-25.4
Pakistan[9]	(15)	366.09	+3.4	-5.6	511.55	+3.5	-3.2
Sri Lanka[10]	(5)	171.98	+0.7	-3.0	185.46	+0.7	-2.8
Thailand	(55)	383.50	-0.7	-19.7	382.28	-0.8	-20.9
Euro/Mid East	(125)	118.49	-1.7	-30.0			
Greece	(25)	225.65	+1.4	-0.8	367.69	+0.1	-4.4
Hungary[11]	(5)	151.75	-2.7	-8.9	206.57	-3.8	+2.3
Jordan	(13)	150.02	-1.2	-9.4	222.33	-1.2	-7.1
Poland[12]	(12)	469.35	+2.9	-42.6	720.06	+3.0	-34.8
Portugal	(25)	121.06	+0.5	+6.4	132.47	-1.3	-4.1
Turkey[13]	(40)	121.75	-4.5	-42.7	2,212.92	-2.8	+52.1
Zimbabwe[14]	(5)	244.66	-0.1	+21.1	301.42	-0.4	+41.1
Composite	(890)	306.69	-0.9	-13.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are. (1)Feb 1 1991, (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

Correction: The IFC weekly investable price index pnblished in Thursday'a edition contained incorrect data. A revised version is printed above.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 4 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 3 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.46	−1.3	158.90	107.25	135.73	146.17	−0.8	3.97	169.70	161.00	107.64	137.10	146.57	189.15	161.21	168.72
Austria (16)	180.56	−0.8	171.33	116.64	146.35	146.18	−0.5	1.11	182.07	172.73	115.48	147.06	146.96	196.89	187.46	188.00
Belgium (35)	166.55	0.0	158.03	106.66	134.99	131.68	0.3	4.19	166.62	158.07	105.68	134.61	131.24	177.04	160.76	162.91
Brazil (28)	150.81	−3.2	143.10	96.58	122.23	234.29	−3.1	0.96	155.83	147.84	98.64	125.89	241.81	–	–	–
Canada (103)	127.46	−0.9	120.94	81.83	103.31	129.70	−0.7	2.66	128.60	122.00	81.56	103.89	130.67	145.31	120.54	138.46
Denmark (33)	255.17	0.9	242.12	163.42	206.82	212.66	1.3	1.40	252.87	239.90	160.39	204.28	209.88	275.79	236.61	255.69
Finland (24)	188.71	−1.1	179.06	120.86	152.95	188.49	−0.9	0.74	190.65	181.07	121.06	154.19	190.19	201.41	129.78	129.78
France (102)	163.67	0.3	155.30	104.82	132.65	138.01	0.6	3.11	163.21	154.64	103.52	131.85	137.17	186.37	159.34	176.82
Germany (58)	140.23	−0.5	133.06	89.81	113.66	113.66	−0.2	1.83	140.91	133.69	89.38	113.84	113.84	150.40	128.37	139.72
Hong Kong (56)	314.24	0.9	298.17	201.26	254.70	312.29	0.8	3.97	311.75	295.76	197.73	251.85	309.70	506.56	305.99	506.56
Ireland (16)	207.47	0.8	196.86	132.87	198.16	189.28	0.9	3.37	205.81	195.25	130.54	166.27	187.54	218.60	177.56	168.48
Italy (59)	76.35	−0.2	72.45	48.90	61.89	92.77	0.2	1.70	76.48	72.56	48.61	61.79	92.56	97.78	65.87	68.54
Japan (484)	154.00	−1.3	146.12	98.62	124.82	98.62	−0.4	0.77	156.05	148.05	98.96	126.07	98.96	170.10	128.93	128.93
Malaysia (97)	470.55	−1.5	446.48	301.35	381.39	462.57	−1.4	1.82	477.69	453.38	303.11	386.07	469.09	621.83	430.71	619.16
Mexico (18)	1167.98	−5.4	1136.70	767.21	970.96	7302.18	−0.6	1.40	1265.90	1200.96	802.91	1022.69	7370.19	2647.08	1167.98	2304.81
Netherland (19)	216.26	−0.2	205.20	138.50	175.28	172.42	0.2	3.35	216.65	205.54	137.41	175.02	172.02	223.30	191.28	200.00
New Zealand (14)	69.78	−0.8	66.22	44.69	56.56	58.11	−0.6	5.04	70.35	66.75	44.62	56.84	58.44	77.59	62.05	68.27
Norway (23)	210.41	−0.7	199.65	134.78	170.54	194.29	−0.3	1.70	211.64	200.98	134.36	171.14	194.69	214.65	177.53	183.20
Singapore (44)	374.55	−0.3	355.39	239.87	303.56	251.06	−0.2	1.71	375.56	356.30	238.21	303.41	251.47	401.36	294.66	375.86
South Africa (59)	333.19	−0.9	316.16	213.39	270.05	294.58	−1.2	2.24	336.22	318.97	213.25	271.61	298.14	342.00	205.55	278.93
Spain (38)	132.00	−0.9	125.24	84.53	106.98	132.52	−0.1	4.37	132.85	126.03	84.26	107.32	132.62	155.79	128.44	139.11
Sweden (48)	236.60	0.8	224.50	151.52	191.77	260.82	0.8	1.50	234.71	222.57	148.87	189.61	258.79	242.81	196.70	202.05
Switzerland (47)	164.66	0.7	156.24	105.45	133.46	134.14	0.6	1.82	163.46	155.08	103.68	132.05	133.01	176.56	149.91	162.19
Thailand (46)	157.56	0.6	149.50	100.90	127.70	153.87	0.6	2.48	156.70	148.66	99.39	126.59	152.71	–	–	–
United Kingdom (205)	183.71	−0.4	163.80	124.06	157.01	163.60	−0.4	4.19	184.55	184.57	123.40	157.17	184.57	214.96	191.11	205.03
USA (513)	188.52	0.4	178.88	120.73	152.80	188.52	0.4	2.94	187.60	178.16	119.11	151.71	187.80	196.04	178.95	169.93
Americas (662)	174.18	0.2	165.27	111.55	141.17	146.06	0.3	2.89	173.81	164.90	110.24	140.42	145.65	–	–	–
Europe (723)	168.32	−0.1	159.71	107.80	136.42	150.65	0.1	3.10	168.55	159.91	106.91	136.17	150.55	178.69	160.59	168.53
Nordic (128)	228.49	0.4	216.80	146.33	185.19	215.06	0.5	1.36	227.56	215.89	144.33	183.83	213.91	233.91	194.06	194.06
Pacific Basin (809)	161.12	−1.2	152.86	103.18	130.59	107.29	−0.3	1.14	163.07	154.70	103.43	131.74	107.86	176.86	144.78	144.78
Euro-Pacific (1532)	164.02	−0.8	155.63	105.04	132.94	124.48	−0.2	1.98	165.26	156.78	104.82	133.60	124.67	175.14	155.32	155.44
North America (616)	184.74	0.3	175.29	118.31	149.73	184.48	0.3	2.93	184.12	174.66	116.76	148.74	183.96	152.73	175.67	186.57
Europe Ex. UK (518)	150.96	0.0	143.23	96.68	122.36	130.79	0.3	2.47	150.91	143.17	95.71	121.91	130.35	158.12	144.12	147.83
Pacific Ex. Japan (325)	232.86	−0.5	220.96	149.13	188.74	204.41	−0.3	3.26	233.87	221.87	146.40	189.02	205.03	296.21	224.17	295.06
World Ex. US (1740)	164.90	−0.8	156.46	105.60	133.65	127.87	−0.2	1.99	166.23	157.71	105.44	134.29	128.19	176.65	157.61	157.68
World Ex. UK (2048)	169.54	−0.4	160.87	106.58	137.41	142.75	0.0	2.12	170.20	161.47	107.95	137.50	142.72	178.59	164.17	164.17
World Ex. Japan (1769)	183.01	0.0	173.64	117.20	148.33	174.58	0.1	2.98	182.99	173.60	116.06	147.83	174.36	195.20	176.34	158.15
The World Index (2253)	171.68	−0.4	162.89	109.94	139.14	146.48	0.0	2.32	172.35	163.51	109.31	139.23	146.51	180.80	166.19	167.39

Constituent change 5/1/95: Name change: Development & Commercial Bank to DCB Holdings (Malaysia). Latest prices were unavailable for this edition

EUROPE

Madrid reacts to weakness in the peseta

Wall Street's move from overnight gains to early weakness was echoed on the Continent, *writes Our Markets Staff.*

MADRID followed Wednesday'e lack of response to the Bank of Spain'e interest rate Increase with a reaction to weakness in the peseta, the general index dropping 4.53 or 1.6 per cent to 283.73 in turnover of Pta30bn as the peseta declined to a new low against the D-Mark.

Electric utilities led the market down, with Endesa off Pta230 or 4.3 per cent st Pta5,130 and Sevillana Pta28 or 4.8 per cent at Pta555. FG, the broker, said recently that the main risk for the sector this year would come from the expected rise in interest rates not being offset by an increase in tariffs, as the embattled government tries to limit the effect of electricity tariffs on inflation.

FRANKFURT sold last month'e winners, the Dax index falling through 2,062.48, down 9.78 on the session, to an Ibis-indicated 2,051.46 in the afternoon. Turnover expanded from DM4.1hn to DM5.2bn.

The blue chips which lost most ground included Allianz, Veha and chemicals: BASF dropped DM6.10 to DM306.90, Bayer hy DM6 to DM351, Hoechst by DM6.40 to DM318.60 and Henkel by DM13 to DM545. Metallgesellschaft, which led the December charts with a 12 per cent rebound, shed DM5.50 or 3.8 per cent to DM139.

The deal of the day was Viag's sale of 60 per cent of its PWA papermaking subsidiary to SCA, of Sweden, which left all three share prices higher, with Finnish forestry groups arguing that the deal was good for them as well.

Viag rose DM1.30 to DM479.30, and PWA by DM8.50 to DM243.50.

MILAN's attention was fixed firmly on the banks as speculation mounted that Credito Italiano, which has been pursuing Credito Romagnolo, could be a takeover target itself.

The Comit index finished 1.98 higher at 644.95 but the real-time Mihtel index lost 69 to 10,269, reflecting late worries about interest rates after higher than expected December inflation figures.

Credito Italiano, 4 per cent higher on Wednesday, added L29 at L1,847, off a high of L1,884, in heavy volume of 30.6m shares, amid speculation that it could be a bid target for the unquoted Cariplo, its rival hidder for Rolo. IMI, seen as a potential partner for Cariplo in such a move, was L163 ahead at L10,062. Rolo fell L33 to L19,277.

PARIS was unable to sustain the gains it made early in tha week, and the CAC-40 index fell 30.26 or 1.6 per cent to 1,871.53. Turnover staged a modest recovery from recent days, at just below FFr3bn.

Major hlue chips softened with Renault losing FFr1.40 to FFr174.50, although analysts were satisfied with its improvement in vehicle sales. Elsewhere in the automotive sector, Valeo recovered some of its recent losses, bargain hunting taking it up FFr4 to FFr255.

Bollore Technologies was among the day's strongest stocks, up FFr22 or 5 per cent at FFr469 on an expected return to profit in 1994 after a loss of FFr416m in 1993.

Carrefour ended down FFr47 at FFr2,216 before reporting a 9.5 per cent increase in 1994 sales after the close.

ZURICH was led lower hy a 2.4 per cent fall in UBS, and by weak bond futures as the SMI index fell 19.3 to 2,613.1.

UBS bearers lost SFr25 to SFr1,023 bnt SBC hearera added to Wednesday's 3.1 per cent rise, picking up SFr6 to SFr376 as a flurry of rumours enveloped the banking sector. These involved suggestions that Mr Martin Ebner's BK Bank had advised clients to switch into SBC, and that a German bank or insurer was seeking a etake.

Analysta commented that downbeat comments on 1994 results earlier in the week from the SBC chief executive had removed an important source of uncertainty.

Cyclicals encountered profit-taking after their recent strong run. Brown Boveri eased SFr7 to SFr1,150, Sulzer lost SFr11 to SFr890 and Fischer declined SFr20 to SFr1,570.

AMSTERDAM's the AEX index fell 2.70 to 414.68, just off the session low of 414.16.

Pakhoed, the tank storage and transport company, rose Fl 1.20, or 2.5 per cent to Fl 48.90 following an increased 1994 earnings estimate and an upgraded buy recommendation from ABN Amro, which raised its 1994 earnings per share estimate Fl 3.25 from Fl 3.15.

But the dredging group, Boskalis fell Fl 1.80, or 5.3 per cent to Fl 32.10 as some analysts said that prospects for the sector were worsening.

ISTANBUL recovered further as the dollar eased against the Turkish lira. The composite index rose 777.85, or nearly 3 per cent to 27,162.85, taking its gains to 8.3 per cent since Monday's 8 per cent slump on a sudden surge in the US currency.

FT-SE Actuaries Share Indices

Jan 5 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	THE EUROPEAN SERIES
FT-SE Eurotrack 100	1337.19	1335.51	1335.23	1335.39	1334.19	1333.35	1329.71	1328.95
FT-SE Eurotrack 200	1385.73	1384.73	1384.67	1385.16	1384.68	1383.14	1379.22	1379.66

	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28
FT-SE Eurotrack 100	1337.95	1332.56	1333.22	1327.46	1346.89
FT-SE Eurotrack 200	1390.66	1386.41	1390.02	1384.97	1406.13

Base 1000 (26/10/90). High/day: 100 - 1337.88, 200 - 1386.05 Low/day: 100 - 1328.72 200 - 1378.40 ‡ Partial

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Liquidity worries leave Seoul 2.1% down

Tokyo

Selling by individual investors who had bought stocks on margin depressed prices, and the Nikkei index lost ground in low volume, *writes Emiko Terazono in Tokyo.*

The 225 average finished 67.93 easier at 19,616.11 after a day's low of 19,518.16 and high of 19,717.76. The Topix index of all first section stocks shed 5.99 to 1,547.41 and the Nikkei 300 lost 1.10 at 285.05.

Share prices were supported earlier in the session by futures-linked buying, thanks to higher futures prices in Chicago on Wednesday.

Volume was 152m shares, the lowest full-day level since November 29. Institutional demand faltered due to tha lack of participation from overseas investors. Declines outnumbered advances by 626 to 300, with 189 issues unchanged. In London the ISE/Nikkei 50 index slipped 5.30 to 1,279.33.

Some domestic investors and brokers were pinning their hopes on the return of foreign investors to the market, but most foreign analysts did not expect a repeat of last year's activa buying by overseas funds. Mr Jason James, strategist at James Capel, expected some Y2,000bn net huying by foreigners this year, down from last year's Y4,000bn.

Nippon Paint, the day's most active issue, softened Y1 to Y717 on profit-taking, having been initially hought by private investors and dealers on hopes of higher earnings for its colour filter for liquid crystal displays.

High-technology stocks rose in the morning due to the lower yen, but closed down on the day on profit-taking. Hitachi was off Y7 at Y990 and Oki Electric Y7 at Y689.

Reports that housing starts were likely to fall in 1995 for the first time in four years depressed housing and real estate issues. Sumitomo Realty and Development fell Y28 to Y562 and Mitsui Fudoean declined Y30 to Y1,040.

Fears of subdued turnover hurt brokers, with the "Big Four" all falling: Nomura Securities lost Y20 at Y2,040 and Daiwa Securities Y20 at Y1,400.

In Osaka, the OSE average declined 122.01 to 21,502.58 in volume of 18.2m shares.

Roundup

Much of the region was in a depressed mood.

SEOUL fell 2.1 per cent to its lowest close since September 7 in response to concerns that the central bank would tighten credit to fight inflation, and worries about a heavy forthcoming schedule of rights issues.

The composite index shed 20.89 to 976.12, as a lack of institutional activity prompted individuals to unload their holdings.

Many blue chips and financials, heavily weighted on tha index, went tha day's limit down from the opening. Both Samsung Electronics and Korea Mobile Telecom were limit down, losing Wou3,000 and Won8,000 at Won973,000 and Woo391,500 respectively.

HONG KONG finished ahead after some lata European institutional buying, the Hang Seng index rising 31.37 to 7,918.38, but turnover fell to HK$1.8bn from Wednesday's HK$2.5hn.

However, analysts said that the mood remained cautious in the face of uncertainties in the property sector. Expectations of low prices for flats to be sold by developers, including Cheung Kong and Henderson Land, continued to dampen buying interest.

Cheung Kong was flat at HK$30.20. Sun Hung Kai Properties and Henderson Land both fell 10 ceots to HK$43.30 and HK$35.80 respectively.

SINGAPORE was hurt by US selling programmes which left the Straits Times industrial index 12.46 lower at 2,231.68 amid a continuing lack of buying interest.

MANILA fell away on profit-taking ahead of a major land auction. The composite index retreated 42.6 or 1.5 per cent to 2,729.37 in turnover of 1.1hn pesos.

Philippine Long Distance Telephone declined 25 pesos to 1,355, and Petron, the oil refiner, shed 2.3 per cent to 21.25 pesos.

TAIPEI lost more than 1 per cent in the first session of the new year as fund managers were seen taking profits. The weighted index fell 73.17 to 7,051.49 ln turnover of T$80bn.

The marine sector went against the downtrend on expectations that the government would soon lift a ban on direct shipping routes to China. Yang Ming Marina climbed 60 cents to T$43.30.

SYDNEY was depressed hy weakness in the golds sector.

The All Ordinaries index fell 16.7 to 1,869.5 in turnover of A$353.32m, while the golds index lost more than 3 per cent to 1,800.7. MIM rose 5 cents to A$2.14 following the resignation on Wednesday of its chief executive.

KUALA LUMPUR saw a return of bargain hunters after the recent sell-off and the composite index picked up 8.08 to 965.89. However, volume of 71.7m shares remained thin, with US interest rate concerns keeping most fund managers out of the market.

BANGKOK gained ground on selective overseas demand for blue chips. The SET index put on 13.22 at 1,373.85 in turnover of Bt5.5bn. The textile sector saw the biggest rise, up 2.3 per cent in Bt381m turnover, but banks were the most active, the index gaining 1.4 per cent.